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CLOTHING INQUIRY

A Report to the Minister
of Industry, Trade
and Commerce



Textile and
Clothing Board

Commission du
textile et du vêtement

May 29, 1977

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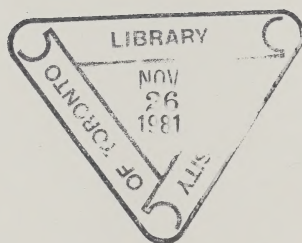


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Your file Votre référence

Our file Notre référence 10C/713-8

May 29, 1977

The Honourable Jean Chrétien,
Minister of Industry, Trade and Commerce,
Ottawa, Ontario.
K1A 0H5

Dear Mr. Chrétien:

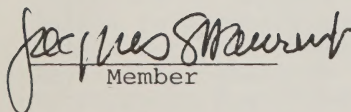
In your letter of September 16, 1976 you requested the Textile and Clothing Board to undertake an inquiry regarding the effects of imports of certain items of clothing upon Canadian production and employment.

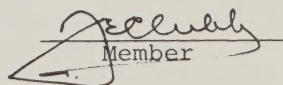
We proceeded with this inquiry, giving you an interim report on November 8, 1976 and now submit our final report to you. The report is supplemented by appendices and contains our comments, conclusions and recommendations.


The Board would be pleased to meet with you at your convenience should you wish any additional information or explanation.

Yours sincerely,


Chairman


Member


Member



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In 1662 the textile industry in England was depressed. A Royal Commission was appointed to inquire into the matter, and the twelve commissioners concluded that the English people were wearing too many foreign-manufactured goods and too few clothes made of domestic cloth.¹

Prior to their independence, the New England colonies experienced numerous difficulties in their textile and clothing industries; under pressure, however, the industry made dramatic progress in technology, productivity, and adaptability in competitive situations.² Yet, today, with a large and technologically competent industry, United States garment manufacturers, who enjoy special protection from disruptive imports, are expressing further concern over foreign imports, particularly those from low-cost countries.

On January 20, 1938, a Royal Commission on the Textile Industry in Canada submitted its report to the government. While the commissioners dealt mainly with labour problems, they also reported on such matters as dumping, valuation for duty and tariffs, and stated:

Whatever may be the expectation or the hope of others, those engaged in the industry assert quite confidently that they need - they hope for - a continuing policy of protection in order to remain in business.³

The vulnerability of a country like Canada to sudden and sharp increases in imports which cause or threaten to cause serious damage to domestic production and employment, has been acknowledged internationally and is recognized formally in the General Agreement on Tariffs and Trade (the GATT) and the Arrangement Regarding International Trade in Textiles (ITA).

These instruments contain safeguard provisions which can be invoked by the signatories to prevent or remedy injury from such imports.

Since the late 1950's, Canadian textile and clothing manufacturers have sought assistance from the government in the form of protection from injurious imports. While the government responded through the ad hoc use of internationally accepted safeguards, it was not until 1970 that Canada had a formal Textile Policy which was designed inter alia to deal with such requests for assistance. While the 1970 policy has certainly helped, the imports continue to increase.

On September 16, 1976, the Honourable Jean Chrétien addressed a letter to the Chairman of the Textile and Clothing Board in which he stated:

I have received representations to the effect that a number of apparel items are being imported under such conditions as to cause or threaten serious injury to Canadian production of like or directly competitive products.

Accordingly, I hereby request the Board... to undertake an inquiry.⁴

The products were listed and included nearly all the major items of clothing worn by men, women, and children, which had not been examined by the Board.

This Report is in response to the Honourable Minister's request. This inquiry is by far the largest undertaken by the Textile and Clothing Board since its creation in 1970. Hitherto, Board inquiries have normally dealt with either individual items or closely associated groups of items, whereas the current inquiry has encompassed almost all apparel worn by Canadians.

The Board decided to begin its task with a series of informal interviews, by forming three teams which covered Canada from British Columbia to Nova Scotia, gathering background data during October and November 1976. The Board and its officers spoke with officials from the Federal government, and from the Provincial governments of Quebec, Ontario, Nova Scotia and Manitoba, all of whom were directly concerned with the clothing industry. They also met with consultants and independent agencies interested in the business conditions in Canada, and they interviewed senior management from many of the largest manufacturing companies of the industry as well as executive members from the trade associations. The Board heard a broad

range of opinion and participated in many informative discussions, and is grateful to all who talked with the teams about the objectives of the inquiry.

In November 1976, the industry urgently requested the Board to recommend interim measures of protection against imports of clothing, and backed its request with statistical data which indicated that the increase in imports was becoming a most serious and imminent threat to the industry. The government, after receiving recommendations from the Board, imposed a global quota restricting imports in 1977 to the 1975 levels as an interim measure pending the Board's final report.

Subsequently, the Board held formal hearings in six major cities, beginning January 10, 1977, in Montreal and ending February 9 in Ottawa. The hearings were well-attended; all groups interested in clothing -- the manufacturers, the workers, the suppliers, the importers, the retailers, and the consumers -- appeared before the Board.


As a result of the broad range of views presented, this report necessarily includes consideration of the primary sector as supplier to the clothing manufacturers, as well as the retailers who are the clothing industry's customers, and the consumers as users of the industry's products. The Board also considered the role of the traditional importer as wholesaler in the distribution chain, while noting that retailers have increasingly become importers -- even some of the smaller boutique owners, particularly in the high fashion area. Indeed, some manufacturers themselves have become importers to broaden their lines, to average costs, and in some cases, to phase out Canadian manufacturing operations. The Board therefore felt that it should take into account all the various, sometimes conflicting, interests so that the Minister might receive a comprehensive report.

The Board wishes to acknowledge the assistance of many people; the report would not have been possible at all without the co-operation and good will which has prevailed on all sides throughout the inquiry. The Board thanks all those who took the time to prepare and submit briefs, and to appear before the Board. It wishes to acknowledge the assistance of officials from the Department of Industry, Trade and Commerce, Statistics Canada, and the provincial governments of Quebec, Ontario, Manitoba and Nova Scotia. The Board is particularly grateful to the executive officers of the Apparel Manufacturers' Institute of Quebec, the Apparel Manufacturers' Association of Ontario, the Manitoba Fashion Institute, the British Columbia Fashion and Needle Trade Association, the Retail Council of Canada, the Canadian Textiles Institute, the

Canadian Textile Importers' Association, the Canadian Importers' Association, the Consumers' Association of Canada, and all other organizations and individuals who participated in the interviews and hearings.

Finally, the Chairman wishes to express appreciation to the Board members and staff, not only to the permanent staff members but also all those on loan from other departments of the government, and those temporarily enlisted for this task.

One final word remains to be said in preface. During the course of this inquiry, the Minister asked the Board to create a High Fashion and Specialty Apparel Committee to examine the applications of importers who wished additional import permits for goods they considered to be high fashion or specialty items. Such a committee was formed, and during the course of the inquiry, until early in March 1977, the work of the Board included this demanding assignment. The Chairman wishes to express sincere gratitude to the members of the Committee and staff who carried out these duties in addition to their normal responsibilities relating to the inquiry.


CHAIRMAN.

- 1 Encyclopedia of Textiles, American Fabrics Magazine
Prentice-Hall Inc., 2nd ed, 1972, p. 164
- 2 Encyclopedia of Textiles, Chap. 7, 'History'
pp. 176-182
- 3 Report of the Royal Commission on the Textile Industry
p. 192
- 4 Letter from the Hon. Jean Chrétien, dated Sept. 16, 1976

OBSERVATIONS AND CONCLUSIONS

SUMMARY OF OBSERVATIONS AND CONCLUSIONS

INTRODUCTION The following paragraphs will be a summary of the major observations and conclusions of the Board in its lengthy inquiry into the question of injury in the clothing categories listed hereunder, due to the impact of imports. The reader will find greater detail and broader discussions of the subject matter in each of the chapters I to X.

As stated in the preface, during the course of the inquiry the Board heard representations from all sectors of the clothing industry, and participated in discussions with knowledgeable academics, recognized researchers, and many federal and provincial government officials. The following chapters are an analysis and discussion of the clothing industry: the suppliers, manufacturers, unions, primary industry, retailers, traditional importers and the consumers.

In arriving at its conclusions, from which the recommendations follow, the Board had to balance the welfare of all sectors of the clothing industry. The Board has concluded that there is need for a stable and more certain market-place, and that Canadian manufacturers especially require this stability for planning and growth. At the same time, there is a definite need for certain imported apparel in the Canadian market, to provide the full variety of goods and the complete range of price required by the consumer. Since the interests of the importing community, the consumer and the retailer coincide in the desire for imported apparel, the Board's conclusions and recommendations do provide the opportunity of satisfying these sectors of the community. At the same time the recommendations provide protection to the manufacturers from the threat of injury and from continual market disruption.

IMPORTERS The traditional apparel importers, as represented by the Canadian Textile Importers' Association, expressed sympathy with the plight of the Canadian textile manufacturers and agreed in principle with measures of restraint when necessary, for short periods of time, to allow adjustments in those cases where serious injury has been caused or threatened. They have expressed their basic philosophy as a belief in freedom of trade, with as few restraints as possible.

The traditional importers provide a service to the business community as wholesalers in the distribution chain, particularly for those retailers who cannot themselves go abroad to select the variety of goods they need. Importers also provide a service to the consumer who has a small clothing budget, since their traditional sources are low-cost countries. The members of the Canadian Textile Importers' Association have stated to the Board that it is necessary for them to have growth each year in the imports permitted, and have suggested an annual growth rate of 10 percent. They have stated that since costs in Canada are constantly rising, unless more quota is permitted to them they will have to raise their unit prices in order to cover costs. The only other alternative is greater volume in order to maintain their necessary income. All those who import want to be able to shop world-wide, and further ask that any necessary quotas be controlled by Canada.

Importers generally deplored the sudden imposition of the quota of November 1976, and claimed they experienced injury from it. They appealed to the Board to recommend to the government that if quotas are to be part of the Canadian market in the future, then advance notice should be given to them. They place their orders from nine months to a year in advance of delivery date for the season in which the goods will be sold.

RETAILERS Many retailers, generally the largest ones, are also importers. The large chain and department stores import a wide spectrum of garments, and together they control a major share of the consumer market. Retailers claim they must provide a wide range of products and prices for their customers, and turn to imports 'to satisfy consumer demand'. Like the traditional importers, retailers plan their purchases abroad at least nine months to a year in advance, and hence ask for sufficient lead time when restraint measures are to be announced by government.

Other reasons given by retailers for purchasing abroad included their desire for a wider variety and exclusivity of fabric and style. Retailers presented information to the Board of a curious 'label syndrome' among Canadian consumers. To many consumers, the retailers claimed, a foreign label is

more highly valued than a Canadian label on goods of comparable quality and price.

The Board noted that several of the larger retailers work closely with Canadian suppliers to achieve a good representative mixture of Canadian and imported goods to satisfy all tastes and pocketbooks.

High fashion importers (mostly but not exclusively retailers) claimed imports are necessary. They contend their imported garments are not, and could not be, manufactured in Canada, due to style, design, exclusivity of fabric, ethnic origin and high quality of manufacture associated with specific brand names. They claimed Canadian consumers demand this special type of imported goods, and if these items were not available in Canada, the consumers would go abroad to obtain them in any case. Most high fashion wear comes from European houses with recognized names, although some imports of this type do come from the United States, and the Far East.

The Board was presented with the fact that Canadian designers and manufacturers have a well-developed fashion industry. High fashion and high quality garments are produced in Canada, although they represent a small percentage of the total market, in price brackets which compare with offshore goods. The designers responded to the retailers' claims that they had to import such garments, by arguing that retailers do not promote Canadian goods as energetically as they do imported goods.

The Board concludes that certain imports are necessary to provide the wide variety of garments demanded by the Canadian consumers.

The Board has also concluded that there must be more effective manufacturer-retailer co-operation in a labelling program which will promote the sale of Canadian garments and indicate to Canadian consumers the recognized standard of quality of Canadian goods.

CONSUMERS The Board recognizes the need to provide the Canadian consumer clothing at prices which are within the reach of all levels of income. In this regard, at least 45 percent of garments consumed in Canada are imported, primarily from the major low-cost suppliers. Spokesmen for the consumer have expressed the fear that certainty in the marketplace, if achieved through restraint measures, will limit the competitiveness of the industry. The Board observes, however, that competition is keen, and that from an analysis of the pricing data, the Board knows this industry uses a very sharp pencil in costing its products to retailers who have the alternative of

purchasing from foreign producers and numerous domestic sources. Information in Chapter X indicates that the prices of clothing have not dramatically increased over the last few years. In fact, price indices show that the cost of clothing has increased at a slower rate than other basic commodities. The Board received no evidence that the Canadian consumer is any worse off, relative to his income, than wage earners in other western countries, especially considering the wide range of products available.

The Board concludes that within current restraint measures, there is still a large percentage of garments available from low-cost countries, and the recommendations which follow will provide for the continuation of this situation. In fact, the price spread in the retail apparel market is considerable, and the variety of merchandise available in Canada should be sufficient to serve all tastes and budgets. The Board concludes that all groups concerned with clothing - manufacturers, importers, and retailers alike - should share a responsibility to the consumer to ensure an adequate choice of low-cost goods within any quota system.

MANUFACTURERS While there are approximately 100,000 jobs in the clothing manufacturing industry, with the greatest percentage in the province of Quebec, nevertheless this is a national problem, and it is in the national interest that assistance should be offered to this industry. There are sizeable numbers of jobs in the provinces of Ontario, Manitoba and British Columbia, but there are manufacturers of considerable size in the other provinces. This is one of the largest industrial sectors within the Canadian economy. The industry is located not only in large cities but in many smaller communities which depend upon it for jobs which would otherwise not exist. While this industry has large capital investment, it is highly labour-intensive, and thus provides many job opportunities. The removal or lessening of restraints would not be an appealing alternative. It would mean the loss of employment for many Canadians, loss of skills and possible moves by threatened companies to more favourable economic climates. Normal tariff protection does not seem to be adequate and there is no obvious alternative for the labour force.

The Board feels the problem of displaced labour would be difficult to solve. Some have argued that the workers could be absorbed into the 'higher skilled' industries, but no one could point to any specific industry which would be ready and willing to receive such displaced labour; or indeed if any such industry were contemplated in the communities which are primarily or totally dependent upon the textile and clothing manufacture. It was suggested that re-location would be neces-

sary if employment opportunities exist beyond the communities of the unemployed. But relocation would be difficult since a large percentage of these workers are second family wage earners, and are not mobile.

The apparel industry is also important because of the multiplier effect. It provides the market for the supply industries which depend upon it, such as manufacturers of buttons, thread, zippers, packaging and transportation. But of major importance is the market it provides for the primary textile industry, principally yarns and fabrics. Approximately 45 percent of the output of the primary textile industry is used by the clothing manufacturers and without this market, the primary sector would be in grave difficulties.

The Board feels further, that the Canadian public needs the assurance of a supply of clothing from Canadian sources, without drifting into dependence upon foreign sources for such a basic commodity.

Consequently, the Board has concluded that the clothing manufacturing industry does have a strong manufacturing capability, and that Canada needs such a viable apparel industry. This industry is a strong contributor to the national economy by the provision of many jobs, directly and indirectly, and for these reasons the Board concludes the industry is worthy of protection against the threat of low-cost imports from whatever source.

A principal problem facing domestic manufacturers is the size of the market for clothing in Canada. It is small in comparison with the European or United States market, but despite this fact, the Canadian consumer demands the same wide range of style that is available in those markets. Consequently, the manufacturer is called upon to produce a wide variety of garments to satisfy these consumer demands, but different style production runs are short. This requirement of variety obviously adds to overall costs, but seems to be inevitable. The Board feels there are at least several answers to this problem: one solution would be more exports; another would be fewer manufacturers making the same product, to allow longer production runs to those manufacturers producing a particular commodity. A third alternative would be the rationalization of production, which has been used successfully by some Canadian manufacturers who import a proportion of their products to complement their Canadian production.

The Board found that some manufacturers are themselves substantial importers. They reportedly import in order to broaden commodity lines, to reduce average costs, and some import as part of a program to move gradually from manufacturing to

importing, which they maintain is less onerous. Some of the most successful manufacturers import product lines in order to complement domestic production, as mentioned above. By doing so, they lower average costs, and increase their total sales, and thus, they claim, imports have actually contributed to Canadian output.

Another consideration is that all imports have enjoyed a much larger share of the Canadian market than is normally the case in most other western countries, notably the United States.

While the Board agrees that importers and retailers need more lead time when quota changes are being made, for they require certainty in the market-place as well as the manufacturers, the Board has concluded that imports are more than 'filling the gap'; imports have taken over a substantial percentage of the domestic market, and thus special measures of protection will have to be retained.

Another concern is trans-shipment and re-labelling practices, which the industry believes are prevalent as indicated in Chapter V, but which are difficult to prove. The Board has concluded that due to the anxiety with respect to possible trans-shipments, re-labelling, and shifting of the threat, statistical data must be provided by permit control to monitor countries whose imports are not restrained, and that country of origin must be checked by Customs authorities.

Manufacturers face higher labour costs in Canada than in most other countries, which impairs their competitive position at home and in foreign markets. Manufacturers point out that the wage packet they pay also includes some items which are state-imposed, such as health insurance, unemployment insurance, the Canada pension, and other fringe benefits granted through labour contracts. They also incur the costs of training and re-training, due to high labour turnover rates. Various opinions were expressed on the subject of the availability of labour. Some feel the clothing manufacturing industry will gradually be reduced in size over a period of time, because the type of labour normally used by the industry is gradually diminishing; others contest this position. Manufacturers and unions admit shortages in some particular skills, but state labour problems are being alleviated by training programs and new methods on the production lines.

The Board concludes that the immigrant population provides a large pool of labour for garment producers in Montreal, Toronto and Winnipeg. There is in addition a great deal of labour available in smaller communities, who depend upon the textile and apparel industries for their livelihood or for a necessary second income.

The Board has observed that many manufacturers, with the assistance of the unions, provide training programs, either as part of their own endeavour, or in conjunction with educational institutions. Unfortunately, the Board found that even in areas of high unemployment, labour turnover was a problem to some manufacturers. The Board concludes that despite the relatively low wage structure, with current unemployment there should be no lack of labour for most occupations in the Canadian clothing industry.

Most manufacturers face difficulties when trying to export, particularly to the United States. There are exceptions and some producers of quality goods have found a market abroad. However, generally speaking, higher unit costs make Canadian clothing less competitive in a market which increasingly includes items from the same low-cost countries which are contributing to the problems in Canada. In addition, some Canadian manufacturers say they are discouraged in attempts to export to the United States - the natural export market for Canada - by the strict U.S. customs routines and tariff interpretations, especially the 'ornamented' rule which raises the tariff considerably against them. The Board has concluded that this is an area of concern which should be examined by the officials of the Department of Industry, Trade and Commerce, and the Board concludes further that a more vigorous export marketing program would assist those Canadian manufacturers endeavouring to sell abroad.

Yet another problem which manufacturers presented to the Board was the peculiar situation in which some fabrics, which they maintain they have to purchase abroad because they are not available in Canada, have a higher duty rate than some finished apparel. Manufacturers appealed to the Board that they encounter difficulties enough in competing with imports, but that the high tariffs on their imported fabrics make their position even more difficult. It is certain, however, that any lowering of the fabric tariffs would not be met with favour by the Canadian fabric manufacturers who are themselves in keen competition with imports.

This is a problem of which the Department of Finance is aware, but which is worthy of further consideration. The Board concludes that a drawback scheme similar to the one now in existence for shirt fabrics should be studied to see if its application could be extended to imported fabrics not available in Canada.

The Board received evidence of communication problems in the industry. Wholesalers and retailers claimed that certain pro-

ducts are not available in Canada, when they are in fact available, although perhaps not in the retailers' locality at the price he desires. Because of the vast distances in this country, retailers (especially in western Canada) sometimes look south to the United States, or west to the Pacific Rim, for supply sources, rather than to eastern Canada. On the other hand, with some exceptions, it did not appear to the Board that the apparel industry in eastern Canada was making sufficient effort to overcome these marketing problems. The Board therefore urges manufacturers to pursue a more vigorous marketing program in parts of the country remote from the actual manufacturing locales.

As the inquiry progressed, the Board was pleased to see better communication between the manufacturers and retailers, more on an organization-to-organization basis than previously, where it was very much one-to-one. The interested parties all did meet, and prepared the joint submission to the Board attached as Appendix 9.

The Board sees no reason why the interested parties who are signatories to the joint submission should not proceed to create a Technical Committee, as proposed. Hopefully the recent meetings which resulted in this submission will lead to a continuation of an organized forum, for the ongoing exchange of views and reconciliation of opposing viewpoints, and will provide a body whose role is set forth in the submission.

The Board endorses the proposal that a Technical Committee be established, in accordance with the joint submission in Appendix 9 and concludes that this body might provide an effective system of co-operation between manufacturers, retailers, and importers, in ironing out some of the complaints which one group voices against another. The Board anticipates that the new association will provide the instrument of co-operation which will be able to reconcile many of their mutual problems prior to discussion with government agencies. These matters should be settled between buyer and seller in accordance with good business practices, for communication between parties can prevent situations which can lead to unwelcomed government intervention.

UNAVAILABILITY OF GOODS IN CANADA IN SPECIAL CASES Retailers, importers and manufacturers alike have advised the Board with respect to specific items in a category which may be under quota, including wearing apparel, fabric and yarns, that these items may not be obtainable from Canadian sources, or from countries not under quota. They claim the products are unavailable because of the inability of Canadian industry to produce sufficient quantities to meet the demand, or because

Canadian manufacturers do not produce a particular product at all for any number of reasons. These problems arise when quota entitlement of an importer is exhausted or his traditional supplier has been unable to meet his demand.

This poses an administrative problem when such a particular product may be within a general category under quota restraint. A Canadian entrepreneur, finding he cannot obtain what he wants from Canadian sources, argues that the quota should be administered with sufficient flexibility to ensure that he is able to import, even if the quota limits have already been reached. Whether or not the entrepreneur's case is a valid one must be the subject of some investigation. Some of the cases which have been presented to the Board seem to be bona fide hardship, and call for some flexibility in administrative practices, either by an amount being set aside for such unforeseen contingencies as a general rule when the quota is set, or by a recognition that when some specific items become temporarily unavailable from domestic sources permits to import limited allotments ex-quota should be granted in deserving individual cases. The Board cautions, however, that some cases presented as 'hardship' through the alleged unavailability of an item, turn out to be cases of unavailability from domestic sources at the price which suits the buyer. This is not 'unavailability', although a check may indicate entrepreneurial attempts to increase prices on items under quota which make difficulties for the purchaser. These facts should be explored when such appeals are made.

The Board concludes that some organized means are needed to meet this administrative problem. When the Board makes its recommendations to the Minister, they reflect concern for an industry; individual company cases of hardship often do arise subsequent to the imposition of quota restraints, through business reasons, and should be considered by the Departmental administration.

VIABILITY AND PRODUCTIVITY OF THE INDUSTRY The Board observed that there is wide disagreement among all the interested people with whom the Board talked privately and publicly about the subject of the viability of the textile and clothing industry in Canada. The spectrum of opinion ranged from those who maintained that the industry is necessary as a supplier of basic items to the population - and therefore worthy of government support to the greatest possible extent - through to persons who felt that the industry is not now, and never will be, viable because of costs, market size, labour shortages, and other causes.

Some felt that the industry should be left to find its own

level by economic and industrial forces, with the help only of current tariff protection, anti-dumping laws and availability of surtax when necessary. Some thought there should be a few commodities which Canada can 'make best', on which manufacturers should concentrate, leaving the other products to importers, or to Canadian companies which would 'sink or swim'. (No one, however, could say what these particular commodities should be). Those who foresaw the industry undergoing a profound adjustment, if left to market forces, admitted that government would have to provide substantial assistance to both workers and companies over a period of time, to enable them to make the adjustment. The displaced labour which would result from some companies closing down would mean another difficult problem and no clear solutions were offered for it.

The productivity of the manufacturing sector has been the subject of much discussion. As indicated in Chapter V, the Board's observations in personal visits to many plants and in discussions with company officials concerning their plans, are that most companies are striving to increase their productivity and some have made great strides in that direction. Competition is keen among manufacturers which is a goad to greater productivity. Larger companies are generally progressive, investing as much capital as is possible, under current conditions in technological improvements. Some of the new equipment is as modern as any available in the world today (See Appendices 7 and 8).

The unions also state they have confidence in their industry's productivity, and endorse the claim that the apparel industry can compete with western economies, even though Canada has higher wage rates and a smaller market. The unions do feel, as do the manufacturers, however, that they cannot compete against countries where wage rates are extremely low, general manufacturing costs are low, and export incentives of one kind or another compensate the exporter for the prices he must charge to penetrate any particular market.

Some manufacturers are producing quality goods under license from foreign houses, well-known internationally recognized name brand goods which have an appeal to Canadian consumers. This also contributes to the health of the Canadian manufacturing sector. The Board hopes that Canadian manufacturers can expand manufacturing under license, for there are products of many quality brand names presently being imported into Canada which are manufactured in countries other than the country of design. Domestic manufacturers should be able to produce more of this type of clothing for the domestic market, since garments now made here under license are rated second to none in quality by licensors who have licensed manufacturers in other countries also.

The Board has concluded, based on the evidence presented to it, that the clothing industry in Canada is viable and productive; Canada's production ranks highly in comparison with quality garments from other developed countries.

INDUSTRY PLANS The Board is required to examine the plans of industry when industry requests government assistance. The Board's examination reveals that plans vary a great deal from company to company, depending upon size and circumstances (See Appendix 10). Most of the large companies showed the Board plans for increased capital expenditure, improved technology, plant re-arrangement, new marketing practices, and the use of consultant services. In general, the whole picture indicated a striving on the part of the industry to maintain its position in the Canadian market, as well as a strong effort by each individual company to keep its market share. Obviously, the larger companies with greater resources were able to show more sophisticated and comprehensive plans. Some of the smaller companies with a restricted cash flow, and attendant difficulties in raising money, were not able to provide such sophisticated plans, although every one examined was making some improvements. It is impossible for the Board to examine individually the plans of some 2,000 companies and to pass judgement on their individual effectiveness, in the time frame of this report. The Board is satisfied with the plans of the industry as a whole, which show a general trend of continued improvement in productivity to meet competition.

The Board concludes that this industry is by and large technologically competent, is planning adequately to meet international competition in the market in Canada, and is worthy of support against further injury from low-cost imports. In the Board's view it will continue to improve its productivity given assurance of a stable market; the weaker manufacturers will suffer the consequences of domestic competition.

All sectors of the industry were unanimous in their presentations to the Board on two points: they desire stability in the marketplace, and they desire control of imports under quota to be administered by Canada. While not all sectors were philosophically in agreement with the need to impose quotas, nevertheless all were willing to accept quotas when necessary, provided that the authority for importation was controlled in Canada. The Board feels that, to the extent that quotas are imposed, if they are controlled by Canadian authorities they will contribute to the stability of the marketplace.

INJURY AND THREAT OF INJURY The major concern of manufacturers is the threat of injury from imports from low-cost countries. They are at a great disadvantage when in competition against low-priced imports. The manufacturers' plight has been grave enough in the past that the Minister of Industry, Trade and Commerce has imposed quotas on a number of items, and announced global quotas on November 29, 1976, in an effort to control the flow of imports. (Some individual manufacturers have also expressed anxiety about the future impact of imports from western economies as well).

The Board has assessed various factors which must be taken into account when determining injury. The following chapters explain in detail the conditions in the Canadian clothing manufacturing industry, and the impact which competition from low-cost imports has had upon the industry. The factors which the Board examined were man-hours worked, job losses, rising claims for unemployment insurance, regional considerations and market disruption due to substantial increases in imports at prices which are generally below those of Canadian producers; other factors considered were domestic shipments and other relevant company data; concerns of consumers; and Canada's international obligations. In addition, a number of manufacturers have given supplementary data, showing that the early part of 1977 has been more difficult than the last quarter of 1976, due to the impact of built-up inventories from 1976 under the thrust of imports, which is just now being felt.

All these indicators taken together, considered and weighed in relationship to the problem at hand have led the Board to conclude that clothing of the types covered in this inquiry have been imported into Canada from the sources identified in the recommendations which follow, at such prices, in such quantities, and under such conditions, as to cause serious injury to Canadian production. In the absence of special measures of protection, such imports would cause further serious injury to Canadian production, which would be difficult to repair.

RECOMMENDATIONS

In formulating its recommendations, the Board was conscious of all the factors which must be considered, including consumer interest, concerns of manufacturers, unions, retailers and importers, and the provisions of the Textile and Clothing Board Act, particularly Section 18.

All sectors of the business community expressed a desire for certainty in the marketplace in order to plan effectively, and the Board, having found serious injury from a major growth in imports in 1976, is of the opinion that to achieve certainty and to ensure the continued health of the manufacturing segment, certain restraint measures are necessary. The most direct approach is continuation of the present global arrangement, allowing each importer a quota based upon his performance in a base year, and providing a percentage of the total quota for unforeseen contingencies such as 'hardship' cases. The arrangement provides the manufacturers, importers, retailers and consumers with the degree of certainty which will enable each group to plan and, hopefully, to benefit to the greatest extent possible from a stable market. This action has been taken of course, pursuant to Article XIX of the General Agreement on Tariffs and Trade which is the only international trade instrument which provides for such safeguard measures. This is one option available to the Government which could provide the certainty desired.

On the other hand, the Board is conscious of the problems the present program has occasioned, and the difficulties which this form of restraint has made for Canada internationally. Article XIX was not intended as a permanent means of control by the GATT members, but as an emergency measure to help a member country adjust to a domestic situation. In any case, the manufacturers and unions in Canada both agree that their problem is imports from a relatively few so-called 'low-cost countries'.

The Board believes, however, there will be a continuing import threat, which is a 'moving' threat and can shift from country to country as restraints are negotiated or imposed country by country. This threat will surely be relentless, and will not diminish for the foreseeable future as long as entrepreneurs can move to unrestrained countries where labour is cheap. Under these conditions, the traditional restraint measures do not provide the stable market conditions which are necessary in Canada. The process of naming individual products or categories and splitting hairs on definitions has its weaknesses. Also, it is comparatively easy for an exporting entrepreneur

to shift his base of operations, since the technology is mobile, to a country which has not been 'named'. Furthermore, naming countries encourages other countries to mount export drives suddenly in the same product group which is under restraint elsewhere. By the time new restraint action can be taken against the new source, Canadian industry would have suffered additional injury and the market will have been further disrupted. Hence, the 'certainty' sought by all sectors of the industry is not readily provided by the application of the traditional restraint approach, unless it can be accompanied by a monitoring system which can be used in a pre-emptive way to act quickly when necessary.

The Board therefore supports and recommends use of bilateral restraint arrangements on the condition that a statistical unit be organized and maintained, which will provide a continuing updated record of imports from all countries, and which will report to the Board monthly. Thus as a threat appears, faster action can be taken to recommend restraint measures where warranted, and to arrange agreements before damage occurs which would be difficult to repair. Furthermore, bilateral agreements should be for not less than three years' duration, and preferably for five years. A shorter duration will not permit the industry to plan effectively.

If use of the bilateral approach is the choice of Government, rather than a continuation of the present global quota under Article XIX, the Canadian clothing industry itself must also have a larger input at the pre-discussion stages, prior to negotiations, than it has had. On the assumption that the bilateral approach will be taken, the following are the Board's recommendations. These have been divided into three main categories -

Basic Recommendations

Recommendations On Rules of Procedure
To Implement The Basic Recommendations

General Recommendations

BASIC RECOMMENDATIONS

1. Continue the following items of fully and partially manufactured clothing on the Import Control List:
 1. Pants, including jeans, slacks, shorts, overalls and coveralls
 2. Unstructured or leisure suits
 3. Blouses and ladies' shirts
 4. Pyjamas and sleepwear
 5. Raincoats
 6. Sportswear, including dresses and coordinates
 7. Foundation garments
 8. Swimwear
 9. Underwear
 10. Top coats, overcoats and outerjackets, including duffle coats, suburban coats, and pant coats
 11. Men's fine suits
 12. Leather coats
 13. Men's and boys' shirts
 14. Sweaters, cardigans and pullovers
 15. Outerwear garments commonly referred to as:
 - a. snowsuits, snowmobile suits, ski suits and ski pants
 - b. jackets and vests, including parkas and ski jackets which have an outer shell manufactured substantially from woven fabrics and which are lined and designed to protect the wearer against cold or inclement weather

2. Conclude bilateral arrangements with the following sources for a five year period. The specific clothing items, whether fully or partially manufactured, to be negotiated with the individual suppliers listed below, are identified by Control Number in Appendix 11.

Argentina	Mexico
Brazil	Morocco
China, People's Republic of	Pakistan
Colombia	Philippines
Czechoslovakia	Poland
Hong Kong	Puerto Rico
India	Romania
Korea, Democratic People's Republic of	Singapore
Korea, Republic of	Taiwan
Macao	Uruguay
Malaysia	

3. Set the level of quota under the bilateral arrangements for each of the categories of garments in Control Numbers 37 to 48 inclusive, and Control Number 49 (subject to the exclusions in Recommendation 5), for the first year of the arrangements, at the greater of the level of imports from the respective countries during the calendar year 1975 or the level of imports of such garments from such countries in the calendar year 1977.
4. Set the level of quota under the bilateral arrangements for outerwear, Control Number 32, for the first year of the arrangements at a quantity not greater than the number of units of such garments imported from such countries in the calendar year 1977.
5. Exclude the garments described below from Control Number 49 and assigned a new number on the Import Control List:

Shirts, men's and boys', dress, work and sport, made from woven or knitted fabric, with tailored collar, front opening and long or short sleeves.

6. Set the level of the quotas for the first year of the bilateral arrangements for the following garments at the level of imports of such garments in the calendar year 1977, from the respective countries included in Appendix 11:

- a. Shirts, men's and boys', dress, work and sport, made from woven or knitted fabric, with tailored collar, front opening and long or short sleeves.
- b. Sweaters, cardigans and pullovers, identified as Control Number 50.

These categories of clothing were under restraint prior to the imposition of the global quotas announced on November 29, 1976. Notwithstanding the recommendation to limit imports of these items from specific countries, preferably through the use of bilateral arrangements, overall surveillance of imports must be maintained. Global restraints under Article XIX should be re-imposed forthwith if in the first year of the bilateral arrangements, or in any subsequent year, the total quantity of either of the categories of clothing described in (a) or (b) above, imported from all countries (those with which bilateral arrangements have been negotiated and all others) exceed the total number of such garments imported in the calendar year 1977 in the case of the first year, or in the case of the subsequent years exceed the level of imports in 1977 increased by the growth judged to be appropriate under the provisions of Recommendation Number 8.

- 7. Subject to Recommendation Number 8, limit growth in the levels of quotas in the second and each of the subsequent years of the arrangements to sharing with the Canadian manufacturers, on a pro-rata basis, the actual growth in the Canadian market.
- 8. Provide minimum positive growth not to exceed 1 percent in the second and each of the subsequent years of the arrangements with respect to sweaters, cardigans and pullovers; outerwear; and men's and boys' tailored shirts.
- 9. Withdraw the benefits of the General Preferential Tariff with respect to imports of leather garments from any country.
- 10. Exclude bona-fide hand-made cottage industry garments made from handloom fabrics in developing countries from the provisions of import quotas, with the proviso that such imports are on a strictly controlled basis in accordance with internationally acceptable criteria.

RECOMMENDATIONS ON RULES OF PROCEDURE
TO IMPLEMENT THE BASIC RECOMMENDATIONS

11. The global quota measure announced by the Minister of Industry, Trade and Commerce on November 29, 1976, should remain in place at least until June 30, 1978.
12. The bilateral arrangements should become effective universally on July 1, 1978.
13. Should it not be possible to conclude arrangements with all countries by July 1, 1978, they should come into effect universally on such subsequent date as may be prescribed by the Minister of Industry, Trade and Commerce.
14. Should the effective date of any of the arrangements negotiated be subsequent to July 1, 1978, the global quota measure should be extended beyond June 30, 1978, and be terminated on the effective date of the arrangements with all countries.
15. A formal review of the effects of the restraint measures should be conducted by the Textile and Clothing Board in the fourth year of the bilateral arrangements.
16. The bilateral arrangements concluded should provide for the orderly export to Canada of the goods specified therein.
17. Subject to Recommendation 18, the bilateral arrangements should provide for the issuance of permits to importers by Canadian authorities based on their historical import performance in respect to the country with whom the arrangement is negotiated.
18. In the case of shirts, as defined in Recommendation 5, the bilateral arrangements should provide for the issuance of permits by Canadian authorities to importers based on their historical performance in respect to the country with whom the arrangement is negotiated, such permits to be allocated on the basis of one quarter of their entitlement each 3 months.
19. The bilateral arrangements should include provision for 'swing' between garment categories and for 'carry forward' and 'carryover' in accordance with internationally recognized standards; these provisions, however, shall not apply to sweaters, cardigans and pullovers; outerwear; and men's and boys' tailored shirts, prior to the fourth year of the arrangement except in those instances where any unutilized quota in these three categories is used to 'swing' into

other categories in accordance with the 'swing' provisions.

20. With reference to Recommendations 11 and 14, the level of the quota to apply in the period from January 1, 1978 to June 30, 1978, should be no greater than one-half the quantity for which permits will have been issued for importations in 1977 in accordance with the announcement of November 29, 1976, and subsequent announcements, regarding the global quota measures. In the event the effective date of the bilateral arrangements is to be other than, and subsequent to July 1, 1978, the level of the global quota to apply during the period subsequent to July 1, 1978 will be a level based on that percentage of the annual level which reflects that portion of the calendar year from July 1, 1978 to the effective date of the arrangements.
21. On and after the effective date of the bilateral arrangements, permits should be issued freely, until otherwise specified, to importers of each of the categories of clothing specified in Recommendation 1 from individual countries other than those with whom bilateral arrangements have been recommended.
22. Pursuant to Recommendation 21 importers should be required to apply for permits within 30 days after the date of the contract for which the permit is being requested; the permits should specify the category of clothing for which they are being issued and should identify the country from which the goods are being imported.
23. Should it appear that, as a result of permits issued in accordance with Recommendation 21, the quantities being imported would significantly exceed the 1977 level and would likely cause or threaten serious injury, immediate restraint measures should be negotiated with the supplier.
24. The Department of Industry, Trade and Commerce should provide the Board on a monthly basis with statistics showing the quantities of clothing for which import permits have been issued pursuant to Recommendation 21, by category, and by country of export.
25. The Department of Industry, Trade and Commerce should provide the Board on a monthly basis with statistics showing the quantities of clothing for which import permits have been issued pursuant to Recommendations 17 and 18 by category and by country of export.

GENERAL RECOMMENDATIONS

For Governmental Authorities

26. Improve the statistical data related to the garment and textile industries, and organize a comprehensive and co-ordinated data-gathering system, on an on-going and current basis. Statistics should be standardized and consolidated so that there will be uniform information available to the Textile and Clothing Board, Government departments, manufacturers, importers, retailers and consumers. Statistical data relating to the industry should:
 - a. Standardize manufacturing, import and export commodity classifications;
 - b. Provide data respecting exports, imports, domestic shipments, and employment, together with other key data which would allow Government to react more quickly to market disruption or threat thereof;
 - c. Provide an adequate description of garments for use on customs invoices (and Revenue Canada should insist on accurate descriptions).
27. Designate as soon as possible, specified customs ports of entry, perhaps five or six in number, through which all imports of clothing and textiles would be channelled and controlled.
28. Develop a uniform 'Made in Canada' label logo which would require to be prominently displayed on all garments made in Canada, so that consumers can readily identify Canadian made as well as foreign-made garments.
29. Exercise greater vigilance in the enforcement of the provisions of 'Marking of Imported Goods Order' in respect of wearing apparel so that the name of the 'Country of Origin' is clearly visible to the consumer.
30. Devise a program of encouragement to Canadian manufacturers to purchase fabrics in Canada as much as possible. It is suggested that this might be achieved through a system of customs drawbacks, which would provide Canadian manufacturers with the opportunity to import fabrics and yarns which are not available in Canada, while at the same time encourage the purchase of like goods in Canada, by granting

the drawback on a proportional basis to goods bought in Canada.

31. Establish a Productivity and Development Centre under Government auspices to provide industry with the assistance described in Chapter V of this report.
32. Review the procedure for informing governments, the business community and the public at large of measures to restrict imports, so that all parties who are affected can be made aware of the terms of the measure and their responsibilities arising therefrom.
33. Establish a unit within the Department of Industry, Trade and Commerce whose responsibilities would be:
 - a. To receive an application from an importer, retailer or manufacturer in the clothing and textile industry who:
 - i alleges that he cannot obtain specific items of wearing apparel, fabric, or yarn, from Canadian sources, or other sources not under quota; and
 - ii seeks goods from sources under quota restraint; and
 - iii does not have sufficient inventory on hand of such items or does not have sufficient quota to import; and
 - iv cannot obtain the particular item through other importer dealer sources; and
 - v presents the Department with documented fact in such an application.
 - b. To check the bona fides of the allegations that the source is unavailable by inquiring of Canadian manufacturers whether they are able or willing or interested in producing the goods;
 - c. To deny the application upon evidence that Canadian manufacturers can and will produce the goods within a reasonable length of time ('reasonable' being directly relevant in each application to the case in hand);
 - d. To grant limited quota for an interim period where Canadian manufacturers are interested and can

produce the goods which appear to be unavailable or in limited supply, for the time required by Canadian industry to produce a sufficient supply;

- e. To check 'availability' closely, to ensure that the application is not based on other reasons;
- f. To check whether items claimed to be 'unavailable' are not in fact available through use of very similar or like goods;
- g. To recommend an exemption from quota for items which may have been included on a category under quota where Canadian manufacturers cannot or do not wish to produce such items;
- h. To advise the Export and Import Permits Division of the Department where an importer appears to be using his quota privileges in any manner detrimental to the best interests of the ultimate consumer.

- 34. Continue to assist the Canadian manufacturers in gaining greater access to markets in the United States and other countries.

For Apparel Manufacturers

- 35. Place greater stress on improving productivity through up-grading facilities and strengthening management at all levels in order to compensate for Canada's higher labour rates.
- 36. Strengthen quality control systems and procedures throughout manufacturing operations, including fabric and yarn specifications; and garment specifications in terms of colour, size and general workmanship.
- 37. Combine smaller operations into larger complexes where practicable to gain financial strength and productivity improvement with consequent cost savings.
- 38. Place greater emphasis on exports to increase production and broaden market availability.
- 39. Make greater efforts to identify potential customers and promote sales in Canadian locations remote from the manufacturers' place of operations.
- 40. Endeavour to purchase a greater proportion of fabric and yarn requirements in Canada.

For Department and Chain Stores

41. Review buying practices in order to ensure that every possible consideration is being given to obtaining apparel requirements from Canadian manufacturers.
42. Identify appropriate Canadian manufacturers and develop mutually advantageous production programs. Important considerations should include sufficient lead time to allow flexibility in production and the most economical production runs; and quality, price and delivery demands of the retailer.

For High Fashion Retailers

43. Place increased emphasis on purchasing from Canadian manufacturers having a proven capability of supplying high fashion apparel, and from those having the potential to do so, as an alternative to importing.

THE REPORT

On September 16, 1976 the Minister of Industry, Trade and Commerce requested the Textile and Clothing Board to undertake an inquiry into the effects of imports of the following products:

- 1 Pants (including jeans, slacks, shorts, overalls and coveralls)
- 2 Unstructured or leisure suits
- 3 Blouses and ladies' shirts
- 4 Pyjamas and sleepwear
- 5 Raincoats
- 6 Sportswear, including dresses and co-ordinates
- 7 Foundation garments
- 8 Swimwear
- 9 Underwear
- 10 Top coats, overcoats and outer jackets, including duffle coats, suburban coats and pant coats

In his letter, the Minister stated that the inquiry was to cover goods manufactured from all fibres, whether woven, knitted, crocheted, etc., for men, boys, women, girls or infants. Competing products composed wholly or in part of non-textile materials such as leather or vinyl were also to be included.

The Minister directed the Board more specifically to inquire into the effects of imports of the above-mentioned products

on Canadian production and employment, to examine the producers' plans for adjustment in their operations, and, should the Board find serious injury or threat of serious injury, to make appropriate recommendations to him for the prevention or remedy of such injury or threat of injury. In formulating these recommendations the Board was to take into account their effect on consumers, on relevant manpower and regional factors and on any relevant international agreements to which Canada is a party. The full text of the Minister's letter is reproduced as Appendix 1 to this report.

Upon receipt of the Minister's request and in conformity with Section 9(b) of the Textile and Clothing Board Act, the Board proceeded immediately to undertake the inquiry. A notice to that effect was published in the Canada Gazette of September 25, 1976 (a copy of this notice is attached as Appendix 2). Copies of the notice were distributed to the news media and to more than 3,000 firms, individuals and groups, including major trade and other organizations, and interested government departments, both federal and provincial.

In the notice of inquiry, the Board invited all interested parties to submit to it, by November 29, 1976, confidential briefs containing their opinions and recommendations, as well as all the information which they considered pertinent to the inquiry, and announced that it would hold public hearings across Canada to receive supplementary presentations or arguments from those presenting briefs. The clothing manufacturers presenting briefs or associating themselves with the presentation of a brief were requested to submit plans to the Board indicating adjustments which they planned in their operations to make them more competitive.

As indicated in the Preface, informal interviews took place with senior officials of various agencies, within government and the private sector, in an attempt to gain a comprehensive insight into the problems presented by the inquiry. The Board and its officers met with officials of the Departments of Industry, Trade and Commerce; External Affairs; Finance; Manpower and Immigration; Labour; Consumer and Corporate Affairs; Revenue Canada-Customs and Excise; the Tariff Board; the Economic Council of Canada and the Canadian International Development Agency. These visits were informative for they revealed the complexities of the problem through the eyes of various officials representing their respective agencies. The Board also met and had helpful conversations with the Deputy Ministers and senior officials of the departments responsible for industrial development in the provinces of Quebec, Ontario, Manitoba and Nova Scotia.

In the private sector, the Board and its officers met with representatives of most of the major trade organizations involving manufacturers, importers, retailers and consumers, labour union leaders, researchers and senior management of a number of firms. A complete list of organizations, firms, unions and government departments involved in these interviews is attached as Appendix 3.

To supplement the information already available from Statistics Canada and from the Department of Industry, Trade and Commerce, the Board distributed questionnaires to manufacturers, importers and retailers, requesting detailed confidential information on all aspects of their operations. In the case of manufacturers, the questionnaire was distributed directly to all the manufacturers involved. The importers' and retailers' questionnaires were distributed through the officers of their trade associations. The Board and its officers followed up the distribution of the questionnaires by making a number of personal visits to association officials, importers, retailers and manufacturers to explain the questionnaires and to emphasize the importance to the inquiry of providing the data requested.

The response to these questionnaires was not uniformly satisfactory. Most of the significant importers responded promptly and many major retailers did so after some initial technical difficulties were ironed out. The manufacturers' response was slower, and for the smaller firms (which constitute the larger number of firms in the industry), the questionnaire undoubtedly presented difficulty and, in many cases, impossible demands upon their time, resources and data retrieval capabilities. Subsequently, the questionnaire was revised and officers of the Board personally called on a large representative number of manufacturers in each of the industry sectors to provide guidance in their replies to the questionnaire. The response was better.

On November 1, 1976, the clothing manufacturers, supported by the primary textile producers and the labour unions, presented the Board with an 'Emergency Interim Submission' requesting immediate action to curtail imports.

Following a preliminary study, the Board presented to the Minister of Industry, Trade and Commerce, on November 8, 1976, an interim report in accordance with Section 17(2) of the Textile and Clothing Board Act. On November 29, 1976, the Government announced that it was placing a global quota on imports of clothing, limiting these to 1975 levels. The industry's submission, the Board's interim report and the Government's subsequent action are discussed more fully in Chapter III.

A total of 113 briefs relating to this inquiry were received. Briefs were submitted not only from the larger organizations representing garment manufacturers and their main suppliers, labour unions, importers, retailers and consumers, but also from the individual entrepreneurs, small boutique owners, real estate developers and specialized consumer groups. Although a deadline of November 29, 1976, had been announced for the receipt of briefs, the Government action announced on that date spurred a considerable number of interested parties to file briefs with the Board. Even though the deadline was past, consideration was given to all the briefs presented. A list of those who presented briefs is attached as Appendix 4.

Of those parties presenting or supporting the presentation of briefs, 100 requested public or private hearings. The Board's hearings, both public and private, took place in Montreal on January 10-14; Toronto on January 17-20 and on February 4; Winnipeg on January 24-25; Vancouver on January 26-27; Halifax on February 2 and Ottawa on February 7-9. Appendix 4 indicates those who appeared before the Board at these hearings.

The Board members and personnel visited many plants throughout Canada in those sectors of the clothing industry covered by this inquiry. These visits provided an opportunity to observe and discuss at first hand plant layouts, manufacturing processes, types of machinery used, improvements being made, the local labour situation and other aspects of the firms' operations. It also provided opportunities to discuss with management the effect of imports on their operations, their sales position, their distribution difficulties, export possibilities and activities, operational capacity and other relevant topics. The firms' proposed plans for adjustment of their operations to better face the competition of imports was of particular interest to the Board in the course of these conversations.

In addition to the information received in the briefs, during the hearings and special visits the Board and its personnel carried out considerable research on a number of aspects of the industry. Some of this research was carried out with the collaboration of various sections of the Department of Industry, Trade and Commerce, with Statistics Canada, with Revenue Canada-Customs and Excise and with other groups, both within and outside the Government. For some specific aspects of the inquiry, the services of a firm of consultants, Kurt Salmon Associates-Canada, Ltd., were retained. Certain special background studies were also carried out by Board personnel.

Previous Board reports of inquiries usually contained a section where the evidence received had been summarized. In this

particular inquiry, the Board has decided, because of the sheer volume of evidence and to avoid repetition, to omit the summary of evidence. Instead, throughout the report, mention will be made wherever appropriate of the claims, allegations and statements made to the Board during the inquiry.

The essential purpose of this inquiry is to determine the effect of imports of clothing on production and employment in the Canadian clothing industry. This chapter will look at the evolution of the import problem from Canada's point of view, and will refer to Canadian and international policy decisions which have had a direct bearing on the treatment of textile and clothing imports into Canada.

International trade in textiles is reported to have flourished as early as 1000 B.C. when the Phoenicians¹ were acting from the same motives as present day traders such as Koreans and Canadians -- namely, the mutual advantages of profits and availability of goods through exporting and importing. While the principle of mutual advantage has been and probably will always be the motivating force behind individual exporters and importers, the advantages which accrue nationally, depending on the point of view, may in some instances be far from mutual, and one country's gain may not necessarily be another country's gain. For example, the Republic of Korea earns much of its foreign exchange from the export of textiles, including clothing. In 1975, the imports of men's suits into Canada from Korea increased sharply; while the Korean economy benefited directly, Canadian manufacturers experienced a threat of injury.

The trade in textile products has always been a sensitive international problem. The major trading nations of the world, recalling the chaotic state in international trade prior to World War II, and desiring to avoid a recurrence of that state in the post-war re-building period, concluded an agreement in 1948 which became a code of rules governing international trade, and a forum in which countries could discuss and overcome trade problems and negotiate the enlargement of world trading opportunities.²

The General Agreement on Tariffs and Trade (the GATT) has contributed significantly to the orderly conduct and growth of world trade since 1948.

While the contracting parties to the GATT adopted as their principal aims the reduction of tariff and other barriers to trade and the promotion of trade, on a 'Most Favoured Nation' basis, they recognized that unless the Agreement contained adequate safeguard provisions, the move towards meaningful trade liberalization would not materialize. The Agreement included, therefore, a number of safeguard provisions, the most important of which is Article XIX. Under certain provisions of this Article, a member country is permitted, in carefully defined circumstances, to impose import restrictions on products which are being imported in such increased quantities or under such conditions that they are causing or threatening to cause serious injury to competing domestic producers. The text of Article XIX is contained in Appendix 5.

In the latter part of the 1950's the developing countries of Asia, with their significant advantage of an abundance of low-cost labour, began to challenge the dominance of the Western World in textiles and clothing production and trade. Japan officially re-entered world commerce in 1954 with its accession to the GATT and the recognition of Most Favoured Nation status from Canada and the United States. By this time, Japan already possessed a well-developed textile and garment industry as did Hong Kong, which had previously been granted Most Favoured Nation status.

The threat of market disruption by imports from low-cost sources materialized rapidly in the 1950's, and by the end of the decade, the governments of most of the major importing countries found it necessary to implement special measures of protection against these disruptive imports. Many of these measures were illegal in the GATT terms, for safeguard action taken under Article XIX must be applied equally to all suppliers and discrimination against particular member states is forbidden.

Imports of Japanese and Hong Kong clothing in 1957 were estimated at 25 percent and 4 percent, respectively, of all clothing imports into Canada, but by the end of 1959 Japan's share rose to 44 percent and Hong Kong's to 10 percent. Following expressions of serious concern by Canadian clothing and textile manufacturers, the Canadian Government concluded arrangements with Japan whereby Japanese authorities undertook 'voluntarily' to restrain their exports of specific products to Canada. However, in spite of these arrangements, the problems associated with increasing imports of low-cost merchandise continued to persist and, indeed, intensified.

By 1960, the low-cost import problem had become so acute, and representations from Canadian clothing and textile producers for protection so numerous, that the Government took steps to formalize the procedure for receiving and considering representations concerning low-cost import competition. The Inter-departmental Committee on Low-Cost Imports was formed and given the mandate to entertain and consider such representations and report thereon to the Minister of Finance. The Committee was composed of senior officials of the Department of Finance, Industry, Trade and Commerce, External Affairs, and National Revenue. This decision by the Government of the day reflected the seriousness with which the problem of low-cost imports was regarded, and a recognition that instead of disappearing, the problem would likely increase in scope and intensity.

Because of the rather special and difficult character of international trade in textiles and clothing, the GATT recognized the need for a new multilateral initiative to deal with the problem. Eric Wyndham White, former Executive Secretary of the GATT, in his address to Free Trade Unions, on March 18, 1959, in Geneva, noted:

It is clear that as the new industries enjoying relatively favourable conditions of production come into existence (in less developed countries) and start to have an impact on export markets, they will cause more or less acute difficulties to industries established for many years in the more industrialized countries. It will be a test of the common sense as well as the goodwill of the more industrialized countries how they react to the problem.

Given the proliferation of 'illegal' restrictions by industrialized countries against imports of clothing and textiles from developing countries, it became clear that a multilateral approach was required if the wave of protectionism were to be contained. In 1960, the GATT agreed to examine the problem and in 1961 concluded what was known as the Short-Term Arrangement on Cotton Textiles.

The Cotton Textiles Committee of the GATT, looking forward to a longer-term solution to the problem, drew up the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA), which came into force in 1962. Under the provisions of the arrangement, importing countries were permitted to introduce restraints on imports of cotton from specific countries which were causing or threatening serious injury to domestic production. Heretofore, such action could only have been taken legally on a non-discriminatory basis under Article XIX of the GATT.

Canada became a signatory to the LTA but did not accept the obligation to increase automatically the level of restraint by 5 percent, should that restraint remain in force for another year. Canada followed a policy of selectivity, choosing to negotiate restraint arrangements with countries whereby they would limit their exports to Canada of specific items of clothing and other textile products, leaving the control of these arrangements to the exporting country. The 1960 voluntary restraints exercised by Japan covered essentially all garments exported to Canada. By 1970, the restraints covered only blouses, shirts and trousers made from woven fabrics, and knitted wear. Similarly, the arrangement with the People's Republic of China in 1963 covered all garments, but the 1972 arrangement pertained only to shirts and trousers. The first restraint arrangement with the Republic of Korea (1967) included all cotton garments and the five major categories of garments made from man-made fibres, whereas in 1970 the coverage was reduced to shirts, blouses, trousers and sleepwear.

All in all, Canada negotiated eleven export restraint arrangements on clothing products in the period from 1960 to 1971. These arrangements provided for clothing made from not only cotton and blends of cotton and other fibres, but also clothing made from polyester, nylon, wool and rayon. Although the LTA did not apply to garments made from the latter four fibres, Canada followed the policy of employing the principles of the LTA in requests for restraints on garments made from such fibres.

The policy which governed the curtailment of imports in the 1960's was, at best, ad hoc. Negotiations were often protracted, resulting for example in restraint arrangements being concluded in December to apply to the previous 11 months. The arrangements were usually of one year's duration and as soon as one source of disruptive and injurious imports was contained, another would appear. It was practically impossible to take action prior to serious damage being caused to domestic production and employment.

The following table will demonstrate what has been often referred to as the 'Great Chase':

Garment Restraint Arrangements Negotiated by Canada

<u>Supplier</u>	<u>Date</u>	<u>Supplier</u>	<u>Date</u>
Japan	1960	The People's	
Taiwan	1963	Republic of China	1963
Hong Kong	1965	The Republic of	
Malaysia	1968	Korea	1967
Poland	1970	Singapore	1968
Macao	1971	Romania	1970
		Trinidad & Tobago	1971

Ironically, while the number of restraint arrangements increased in the 1960's, the number of clothing items subject to these arrangements declined significantly. This development occurred during a period when total imports of clothing increased substantially.

The following table will show the rather startling changes which have occurred in the quantities of garments being imported:

Total Imports of Clothing ('000 units)

Source	1961	1970	1976	Percentage Change Over 1961	
				1970	1976
World	86,463	160,108	391,486	85.2	352.6
Hong Kong	11,264	36,717	72,808	226.0	546.4
Taiwan	973	23,906	80,384	2356.9	8161.5
Korea, Rep.	--	6,410	65,417	*	*
China, P.R.	581	8,730	41,965	1402.6	7122.9
Japan	38,012	31,646	19,187	-(16.8)	-(49.5)

*Since there were no imports from the Republic of Korea in 1961, the percentage increase in each of 1970 and 1976 over 1961 is not applicable. By 1970, however, imports had reached 6.4 million and by 1976 65.4 million, an increase of 921.9 percent over 1970

Source: Statistics Canada, Imports by Commodities, Cat. No.65-007

The above table also demonstrates the shift which can occur in the source of imports. Whereas in 1961, Hong Kong, Taiwan, the Republic of Korea and the People's Republic of China supplied 15 percent of total garment imports to Canada, they captured 47 percent by 1970, and by 1976 had reached 67 percent. Japan, on the other hand, which had supplied about 44 percent of clothing imports in 1961, saw its share decline rapidly. In 1970, garment imports from Japan were 17 percent less than in 1961, and in 1976 were only half the 1961 level. The Republic of Korea and Taiwan are the world's most prolific suppliers of the lowest priced garments meeting internationally acceptable quality standards today.

One of the principal concerns of the importing countries when concluding the LTA was that the development of trade should proceed in a reasonable and orderly manner so as to avoid disruption in individual markets and on individual lines of production. The immediately preceding table showed the alarming

increases that have occurred in clothing imports from the principal suppliers from 1961 to 1976.

Canada was not the only industrialized country to continue to experience sharp increases in clothing imports. The dramatic developments in the production of man-made fibres and blends, and the rapid expansion of facilities in developing countries to manufacture clothing made from fabric of those fibres gave these countries the incentive to embark on a world-wide trading campaign. These developments rendered the LTA inadequate since its jurisdiction did not extend beyond clothing and textiles made of cotton (as defined). As a result, a number of industrialized countries concluded bilateral arrangements outside of the LTA with low-cost suppliers, designed to contain imports of man-made fibres and wool products from those sources.

In Canada, it had become clear that: "the policy designed to cope with the problem of 'low-cost' imports had become increasingly difficult to administer. This led to delays and uncertainties which resulted in severe disruption and hardship to producers and workers".³

In the study of the clothing and textile industries which was conducted by the Canadian Government in 1970, the industries were found to be as 'efficient technologically' as those of any other country. They were reported to be able to compete with imports from developed countries, but unable to compete with most standard-type products imported from so-called low-cost or low-price suppliers because of wage differentials and/or export pricing policies of those countries.

The textile policy announced in 1970 reflects Canada's explicit desire to promote clothing and textile industries which will continue to be viable and which will be able to meet international competition in the market in Canada. It was noted, however, that: "full competitiveness in many areas may be achieved only if there is liberalization in the proven highly restrictive environment for world textile trade".⁴

The policy provided for a wide range of measures involving commercial policy and financial, technological and promotional support. Of these measures, the best known, of course, is the special protection against injurious imports. It was clearly stated that special measures of protection would be considered only if two criteria were met, namely:

- 1 Imports were causing or threatening to cause serious injury, and
- 2 The industry sector had plans to enhance its ability

to meet international competition in the market in Canada.

The Textile and Clothing Board, an instrument of the new policy, was created by an Act of Parliament in 1971, although its activities were set out by an Order in Council a year earlier. The Board is an independent advisory body whose basic responsibility is to investigate allegations of injury, to consider plans submitted by manufacturers for meeting the import threat, and to make recommendations to the Minister of Industry, Trade and Commerce regarding the appropriateness of special measures of protection. It is important to note that in all such cases the Board is obliged to take into account: relevant manpower and regional considerations, Canada's international obligations, the interests of consumers, the principle that special measures of protection are not to be implemented to encourage the maintenance of non-viable lines of production and the conditions prevailing in international trade in textiles. Another important aspect of the policy was the amendment to the Export and Import Permits Act which, for the first time, gave Canada the legislative authority to impose unilaterally, limitations on imports.

The Interdepartmental Committee on Low-Cost Imports continues to play an important part in the decision-making process. It is charged with the task of reviewing recommendations of the Textile and Clothing Board and giving the Minister of Industry, Trade and Commerce advice on the impact of the Board's recommendations on Canada's international and national interests. The Committee is now chaired by the Department of Industry, Trade and Commerce and its members represent the Departments of Finance, External Affairs, Revenue Canada-Customs, Labour, Manpower and Immigration, Consumer and Corporate Affairs, and the Canadian International Development Agency.

In the years immediately following the introduction of the 1970 policy, the work of the Board was, for the most part, taken up with yarns and fabrics. However, two items of clothing were the subject of Board inquiries in 1971, men's and boys' shirts, and sweaters, cardigans and pullovers. While special measures of protection were not recommended in the case of sweaters, a global quota was recommended for shirts of all types of fibres. Since the LTA covered only 'cotton' goods and because of the nature of the problem, Canada resorted to Article XIX of the GATT to provide manufacturers with the appropriate degree of protection.

The situation in Canada was not unique. As stated earlier, other countries had taken steps to deal with imports which did not come within the purview of the LTA. Once more against

a background of proliferation of restrictions against imports of clothing and textiles from developing countries, the GATT was called upon to formulate a multilateral solution to the problem. The result was the Arrangement Regarding International Trade in Textiles (ITA) which came into force on January 1, 1974 for a four-year period. Its basic objectives are:

To achieve the expansion of trade, the reduction of barriers to such trade, and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade, and avoidance of disruptive effects in individual markets, and on individual lines of production, in both importing and exporting countries.

Since the advent of the ITA, the Textile and Clothing Board has conducted inquiries and recommended special measures of protection against imports from specific sources, of sweaters, hosiery, work gloves, outerwear, men's suits and jackets, and leather outerwear. For the most part, Canada has continued to employ the selective approach to special measures of protection.

Canada's imports of clothing on a per capita basis are among the highest in the world, while the percentage of total Canadian textile imports subject to restraint is among the lowest in the world. The following tables show the relative position of Canada in each case:

Per Capita Imports of Clothing - 1975 (U.S.\$)

<u>Country</u>	<u>Imports From All Countries</u>	<u>Imports from Developing Countries</u>
Canada	19.53	10.39
United States	11.54	9.24
Japan	4.12	2.75
European Economic Community	14.47	7.72
United Kingdom	14.57	9.66
Sweden	75.86	18.01

Source: United Nations Commodity Trade Statistics - 1975

Imports and Percentages of Textiles Under Restraint in
Selected Developed Countries, 1973 (U.S. \$'000)

Country	Total Textile Imports	Under Restraint	
		Imports	Percentage
Canada*	1,554,352	105,101	7
United States*	3,518,241	2,497,951	71
Japan	N.A.	N.A.	N.A.
EEC	4,924,040	2,362,191	48
United Kingdom	1,354,447	623,671	46
Sweden	899,501	96,529	11

*1974

Source: OECD Statistics of Foreign Trade, Jan.-Dec. 1973

The situation which developed in the Canadian market in 1976 has been described as an example of the type of disruption which the safeguard provisions of the ITA and the GATT were designed to prevent. In 1976, imports increased at such a sharp rate and in such a disorderly manner that the market was completely disrupted. Among the garments included in this inquiry the overall increase for 1976 was 46 percent, while the increase among the individual categories ranged from 9 percent to 370 percent. It was this situation which culminated in a request to the Board by the Minister of Industry, Trade and Commerce to investigate the matter on an urgent basis. The increases which had occurred in 1976 over 1975 in product categories included in the inquiry were as follows:

Clothing Imports ('000 Units)

Control No.	1975	1976	Percentage Increase
32 Outerwear	6,135	10,750	75
37 Pants	27,590	43,476	58
38 Unstructured Suits	1,250	1,887	51
39 Blouses and Ladies' Shirts	21,937	23,864	9
40 Pyjamas and Sleepwear	5,151	8,293	61
41 Raincoats	1,166	1,800	54
42 Sportswear	16,491	25,404	54
43 Foundation Garments	2,503	3,592	44
44 Swimwear	2,979	3,704	24
45 Underwear	15,208	22,925	51
46 Coats	749	1,298	73
47 Structured Suits	1,052	2,261	115

<u>Control No.</u>	<u>1975</u>	<u>1976</u>	<u>Percentage Increase</u>
48 Leather Coats	*(117)	*(550)	370
49 Men's and Boys' Shirts	13,235	18,848	42
T-shirts, sweatshirts	40,359	58,150	44
50 Sweaters	<u>29,561</u>	<u>45,228</u>	<u>53</u>
Total Clothing Imports under Clothing Inquiry	185,366	271,480	46

*Not included in total

Note: In many cases Statistics Canada import classifications (5-digit level) do not correspond with product descriptions on the Import Control List. An attempt has been made to break down by control number as closely as possible the total garments considered to be included in the Clothing Inquiry. Data on leather coats came from a special survey; the Statistics Canada figures include leather coats in a number of other categories

Source: Statistics Canada, Imports by Commodities, 1975 and 1976

The relative ease with which developing countries can gain access to the Canadian market, together with the selective approach to special measures of protection being applied in many cases after serious injury had been caused, have left Canadian producers vulnerable to sharp increases in imports. Canada is one of the very few developed countries which has permitted imports from developing countries to penetrate its market to the extent they have.

The growth of the textile and clothing industries in developing countries has undoubtedly led to the decline of those industries in developed countries. According to Mr. L.A. Wiseman, Director of Research at the Shirley Institute, the decline in Western Europe is so marked that if imports ceased, the textile industries would not be able to meet domestic demands.⁵ However, the problem associated with garment imports from these countries will continue to test the good will of importing countries and the ability of the international trading community to develop a mutually beneficial solution to the problem. The Chairman of the GATT Textile Surveillance Body was quoted in the January 1977 issue of 'Textile Asia:

We may take it that the expansion of the textile industry in the developing countries will continue and that their advantage in wage costs will probably ensure continuing expansion of their market share in the labour intensive sectors, such as clothing.

The Arrangement Regarding International Trade in Textiles has been described as an example of international co-operation and a framework within which difficult problems in a sensitive field can be solved. In the light of the existing Canadian problem, the question arises as to whether the present international arrangements are adequate to meet this problem, or whether there is now a need for a new, more comprehensive arrangement. The answer may be in either a new ITA, which takes account of Canadian concerns, or a review of Canada's present Textile Policy, or greater effectiveness in the administration of the present policy, particularly in the areas of control of disruptive imports already under restraint, as well as an early warning system to deal with potentially disruptive situations. Something along these lines is necessary, but difficult to achieve within Canada's international obligations.

While the ideal method to deal with disruptive imports would present difficulties to the negotiators in Geneva, there can be no question regarding the continuing nature of the problem. The 'Japan Textile News' noted in its March 1977 edition that the Republic of Korea increased its exports of clothing from \$407 million in 1972 to \$1,700 million in 1976, and that the current 5-year plan calls for an increase to \$3,035 million in 1981.⁶ The percentage increases are 318 and 79 respectively. Similar increases could be quoted for a number of other low-cost and state-trading countries and cannot be ignored by Canada.

This background to the import problem shows its size and scope, and just how fundamental the ultimate decisions are, not only to the Canadian clothing manufacturers, but also to dependent industries related to it, as well as Canada's international trade policy. The balance of domestic industry against imported goods is delicate and crucial.

CHAPTER SUMMARY

- 1 Textiles and apparel have always been difficult commodities to control in world trade.
- 2 The trading nations have had to resort to a series of special agreements for textile and clothing products.
- 3 Canada's Textile Policy of 1970 has been supportive of the Canadian industry but has not been successful in stemming the tide of rising imports.
- 4 The total clothing imports under the inquiry in units have increased 46 percent in 1976 over 1975 levels, the percentage increases by category fluctuating between 9 and 370 percent.

Notes

- 1 Encyclopedia of Textiles, American Fabrics Magazine Prentice-Hall Inc., 1972, p.156
- 2 The GATT, 1948-1973, The GATT Information Service, p.1
- 3 The Hon. Jean-Luc Pépin, Minister of Industry, Trade and Commerce, in a Statement to the House of Commons, on the Textile Policy, July 19, 1970
- 4 Ibid
- 5 World Trade in Textiles, L.A. Wiseman, Textiles, Vol.6 No. 1, Feb. 1977, p.7
- 6 Korean Textile Industry to Start New Five-Year Plan, Japan Textile News, March 1977, No. 268, p.82

As noted in Chapter I, the Board received an 'Emergency Interim Submission' on November 1, 1976, presented jointly by the Apparel Manufacturers' Institute of Quebec, the Apparel Manufacturers' Association of Ontario and the Manitoba Fashion Institute. The submission was supported by the Canadian Textiles Institute, representing the primary textile industry, and by the Centrale des Syndicats Démocratiques, the International Ladies' Garment Workers' Union and the Amalgamated Clothing and Textile Workers' Union. In their presentation, the manufacturers and their supporters maintained that clothing was being imported into Canada at a rate which would, by the end of 1976, result in imports capturing 50 percent of the total Canadian clothing market. The Board was urged to make immediate recommendations for preventing further damage.

At the time of the presentation of the submission, the Board had already carried out a substantial amount of research into the import situation. On the basis of this research and the additional evidence submitted, the Board concluded, in an interim report to the Minister of Industry, Trade and Commerce, and pursuant to Section 17(2) of the Textile and Clothing Board Act, that imports were causing or threatening to cause serious injury to Canadian production of the clothing items covered by the inquiry, and that the injury would be difficult to repair if allowed to continue. The Board came to the same conclusion with regard to a number of other clothing items already under review at the start of this inquiry, namely men's fine suits, leather coats, sweaters, cardigans, pullovers and men's and boys' shirts. It decided that its recommendations would cover these four additional categories of clothing, as well as the ten listed in Chapter I. In its interim report of November 8, 1976, a copy of which is attached as Appendix 6, the Board made every effort to recommend measures of protection which would prevent further serious injury, but recognized its

responsibility to minimize to the greatest possible extent any disruption to the marketplace which could result from wide-ranging special measures of protection. Therefore, the Board recommended the following course of action, pending completion of its inquiry:

- 1 that the Import Control List be amended to include all the items of clothing listed above (see Appendix 6)
- 2 that the level of imports of the goods covered in (1) above be limited in 1977 to the level of imports of these goods from all sources during the calendar year 1975
- 3 that in those cases where limitations have already been implemented on any of the products listed above, imports in 1977 be limited to the level of imports in 1975 or to the level of the limitation, whichever is the lesser
- 4 that the limitation on imports be controlled through the issuance of licences to importers on the basis of their performance in each of the product categories listed above

The Minister of Industry, Trade and Commerce announced on November 29, 1976, that imports in the 14 categories of clothing in question would be limited, for the 13-month period from that date to the end of the calendar year 1977, to the quantities imported in 1975, and that permits for such imports would be issued to individual importers only up to the level of their import performance in 1975. The Minister stated that this action was being taken in accordance with Canada's rights and obligations under the General Agreement on Tariffs and Trade (the GATT) and that Canada was initiating consultations with its trading partners in accordance with the provisions of Article XIX of the GATT in order to ensure that they fully understood and appreciated the reasons why it was found necessary to take the emergency action. The Minister also stated that the government was most anxious to ensure that the imposition of these controls would not have an undesirable effect on consumer prices of clothing, and that government would monitor these prices. He stressed that these measures were interim in character and would be reconsidered when the Board's final report would be available. The Minister stressed also that outerwear imports, which had previously been set at a maximum of 2.3 million units, would not be affected by the interim measures and would be maintained at the level previously announced.

The announcement of the interim action was greeted with

satisfaction by the clothing manufacturers, for they considered it helpful in averting a major crisis in the industry. They hoped that a measure of stability would result from the introduction of the interim action, helping to prevent foreclosures, bankruptcies and layoffs which were imminent for many at the time.

The labour unions also welcomed the government action, hoping for greater security of employment for their members and resumption of manufacturing activities at a more appropriate level to avoid layoffs and plant closures.

The primary textile sector expressed its satisfaction and one large corporation announced that in light of the special measures of protection on clothing and on double-knit fabrics (on which the Board reported separately on November 3, 1976), it would resume construction of a large plant at Côteau-du-Lac, Québec, where work had been suspended due to the uncertain future. On the other hand, there were strong criticisms from importers, retailers and consumer groups. The Board received a great deal of correspondence expressing condemnation of the restraints, especially from those who believed that their imports were not causing or threatening to cause serious injury to Canadian production. Foreign suppliers also expressed criticism directly and through their agents and governments.

There was strong initial reaction to the measures from the countries with whom Canada had had restraint agreements which were abrogated by the new action under Article XIX of the GATT. The Republic of Korea and Hong Kong in particular were critical of Canada in meetings at Geneva and in statements issued by their industries and governments. When the facts are verified, however, the 1975 levels at which the restraints were set were not much different in most cases from the levels of the restraint agreements previously negotiated with these particular countries. In some instances, the 1975 level actually granted a larger quota for an exporting country, to the dismay of the Canadian manufacturers. According to the Office of Special Import Policy of the Department of Industry, Trade and Commerce, the Republic of Korea had agreed, prior to November 29, 1976, to limit its exports of men's fine suits in 1976 and 1977 to 146,000 and 154,760 units respectively. The 1975 import level, however, was approximately 200,000 units. Canadian manufacturers of men's suits expressed deep concern to the Board over this turn of events, pointing out that it was contrary to the Board's interim recommendations.

In the case of sweaters from the Republic of Korea, the agreement negotiated prior to November 29, 1976, specified that not

more than 726,000 dozens would be exported to Canada in the period from August 1, 1976 to July 31, 1977. The new quota, based on 1975 import levels, imposed a limit of 704,000 dozens. The agreement with Hong Kong, which was also negotiated before November 29, 1976 provided for an export limitation of 458,000 dozen sweaters from August 1, 1976 to July 31, 1977. Imports of sweaters from Hong Kong in 1975 were approximately 566,000 dozens.

Imports of men's and boys' shirts, already under a global quota from November 30, 1975, to November 29, 1976, were limited to 1,472,745 dozens for those garments priced under \$43 per dozen (woven) and \$47 per dozen (knitted). The 1975 level of imports was somewhat less than the level of the quota; however, the exact figure is unavailable due to the general coverage of some of the statistical categories.

At a meeting of the GATT Textile Committee in Geneva, the members, with the exception of Australia and the European Economic Community, criticized Canada, alleging this country had breached both the letter and the spirit of the Arrangement Regarding International Trade in Textiles. It was recognized that Canada had the right to invoke the provisions of Article XIX of the GATT, although the members of the Committee felt that signatories to the international textile agreement should use it as the instrument of first recourse. Some countries requested compensation and threatened retaliation, some reserved their legal rights, some formally protested and some acquiesced. Most countries seemed to be concerned that the use of Article XIX of the GATT would have an adverse effect upon negotiations for the continuation beyond 1977 of the Arrangement Regarding International Trade in Textiles. The major complaint of some 'low-cost' exporting countries was that Canada's action had the effect of transferring control of the quotas from the exporting country to the importing country. Other countries were concerned about the measures affecting their legitimate exports, which, they contended, were non-injurious to the Canadian scene. In general, exporting countries expressed concern about the negative impact of these measures on trade relations generally.

Despite these strong criticisms, both at home and abroad, there were several positive effects of the November restraint measures. On the domestic scene, all those involved in the manufacture, importation and sale of clothing were made aware that there was a critical problem facing Canadian manufacturers and that the time had come for all to address themselves to it. The Board also detected another positive effect as early as January 1977: the weeks of uncertainty marked by discussions between the various sectors of the industry and the officials

of the Department and the Board, and the flurry of activity subsequent to the November 29 restraint announcement were giving way to more stability in the market place, albeit not to the satisfaction of everyone concerned, and Canadian producers were more optimistic for the future.

Much of the distress in the business community was caused by implementation problems arising out of the restraint action. Importers found that they did not possess sufficient quota for goods already ordered and for which letters of credit had been deposited; goods were in transit for which importers did not have sufficient quota; many importers, mostly in the retail sector, had not been in business in 1975 and were without quota. Many protested that their type of imports were not and could not be injurious to the Canadian producers. Many small importer/retailers were unaccustomed to application procedures to obtain import permits and were confused and anxious. Some faced the problem of being unable to clear landed goods through Canadian Customs because their permits were in doubt and incurred storage charges and delays at the Christmas season. These problems persisted for weeks.

Because of these and other factors the Minister took action to alleviate many of these difficulties, and issued a statement on December 16, 1976. In order to accommodate those who had not been in business in 1975 or whose quota was insufficient to cover irrevocable commitments, the Minister instructed that in the allocation of quotas, an importer was to receive only 90 percent of his entitlement, which was based on his 1975 performance. The remaining 10 percent would be reserved for special hardship cases such as those noted above. A special hardship committee was created within the Department of Industry, Trade and Commerce to receive and process applications from importers so constrained. The Minister also announced that goods bona fide in transit as of midnight, November 29, 1976 would be permitted entry on an ex-quota basis. Finally, in order to alleviate the pressures on some businesses which were being hampered in their efforts to clear goods imported for the Christmas season, the Minister issued an open general permit for all such goods, providing they were shipped from foreign suppliers after November 29, 1976, were in Customs as of midnight, December 16, 1976, and were shipments valued at less than \$10,000. Some flexibility was introduced into the quota by permitting children's wear to be entered on a basis of four units for each three units of adult clothing.

It is worth commenting on the operation of the High Fashion and Specialty Clothing Committee, as it existed under the Textile and Clothing Board, before the Textile and Consumer

Products Branch of Industry, Trade and Commerce took over this responsibility in March, 1977. The Minister, in announcing the creation of the High Fashion Committee on December 16, 1976, had defined high fashion and specialty items as "clothing items which originate mainly from fashion houses and producers of specialty items, and which typically command a substantial premium in the market." The problems of determining 'high fashion' soon became apparent, for the subject is one with broad ranges of opinion. The Board commenced its hearings in January, 1977, and its members and officials also functioned as the High Fashion Committee. Naturally enough, in addition to the briefs which dealt with the subject of its inquiry as such, there were many representations to the Board concerning the administrative problems created by the new import restraint measures. Indeed, in some places, some retailers and importers mistook the Board's hearings for the hearings of the High Fashion Committee, as well as a forum before which they could lay their complaints or quota problems generally.

As a result, the Board performed a dual role during the hearings, and did conduct many interviews with importers who were seeking information about application procedures and assurances of quota to be granted them.

The High Fashion Committee, during its approximately three and one-half months under the jurisdiction of the Board, examined over 1,000 applications, granted hundreds of interviews and answered innumerable questions by telephone. While resources which could be ill-spared had to be assigned to deal with the deluge of requests, the experience nevertheless added enormously to the Board's knowledge of high fashion and other imports and provided a wealth of information about countries of origin, quantities, prices and fashion tastes of the Canadian market. The Board heard retailers express, often vividly, their difficulties in obtaining quality clothing of good design and workmanship from Canadian producers, while on the other hand the latter complained that their high quality products were often underrated or ignored by high fashion retailers.

A peculiarity in Canadian consumer habits came to light: for some consumers, goods with foreign labels appear to have a higher value and greater appeal than Canadian-made goods of equal quality. Indeed, this phenomenon seems to be widespread at the higher price levels, a situation which vexes the Canadian producers and perplexes even some of the retailers.

The Canadian clothing market is considered to be one of the most sophisticated markets in the world. Consumers are strongly influenced by exposure to the mass media of the United States, and with large numbers of people travelling to the fashion centres of the world, there is a constant awareness of trends developing in the industry.

Accordingly, Canadian producers provide fashions and designs in apparel in a much greater variety than would appear to be justified by the size of the Canadian market, -- only twenty-three million people. The problem of producing a wide variety for a small market is further compounded by imports which are estimated to account for 45 percent of the market in 1976. Canada has never been a major exporter of wearing apparel; this situation has been aggravated by restrictive measures imposed by other developed countries, as well as by the relatively high wage rates in the Canadian clothing industry.

To put the problem in perspective, the population of the United States is roughly ten times larger than that of Canada, giving the manufacturers in the United States the benefit of much longer production runs which improves their competitive position. In addition, the United States limits apparel imports to a far smaller share of its market than does Canada.

The lack of precise statistical data has been the major problem which the Board has faced in every inquiry. The difficulties encountered in this inquiry were even more pronounced than usual, in view of its all-encompassing nature.

The problem is not restricted simply to obtaining data, but to obtaining data which is comparable in the areas of exports, imports, and manufacturing activity in Canada. This is partly as a result of different methods used by Statistics Canada

to classify production, imports, and exports. Additionally, published data with respect to the quantity of goods produced domestically are usually not available until at least several years after the fact, while import and export data are published within several months of the fact.

For example, the most recent published data respecting quantities of domestic production relates to the year 1974. Accordingly, the Board had no alternative but to use its limited resources in an effort to obtain such data as would permit a reasonably accurate assessment to be made of the current situation facing domestic manufacturers. Questionnaires were initially mailed to over 2,000 apparel manufacturers in Canada. However, due to the limited response, a decision was made to concentrate efforts on 350 of the largest and most significant apparel manufacturers (primarily those firms employing a minimum of 100 people). Over 300 of these firms were personally visited by the Board's staff.

As for the import market, the Board relied on data from Statistics Canada, despite the fact that in many cases the import classifications did not fully correspond with the product categories on the Import Control List. An attempt was made, however, to refine the data so that it would correspond as closely as possible to the categories of clothing being considered in the current inquiry. In addition, the Board had difficulty determining the types of apparel being imported by the different categories of importers: the manufacturers, retailers and traditional importers.

In the interim report (See Appendix 6), the forecast provided by the Textile and Consumer Products Branch of the Department of Industry, Trade and Commerce was for an estimated 51 percent increase in imports and a 9 percent increase in the Canadian clothing market in 1976. Notwithstanding an increase in domestic shipments in the first half of 1976, the estimate called for an overall annual decrease of 18 percent, with a consequent decrease in market share to 46 percent in 1976 from 61 percent in 1975. It was evident at that time that the full impact of import competition would be felt primarily in the second half of 1976 and would continue into 1977.

The revised estimate of the market which follows was also provided by the Textile and Consumer Products Branch. It differs from the original estimate in that domestic shipments in 1975 have been revised upwards by some 30 million units and for 1976 by some 90 million units. Regarding imports, there has been a slight downward revision in both years caused primarily by a refinement of the data. As a result of all these revisions, the domestic share of the market is now estimated to have been 55 percent in 1976.

The revised estimate of the market is as follows:

Canadian Clothing Market
(Million Units)

	<u>1971</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Domestic Shipments	335.2	340.1	360.4	328.0*	336.0*
Imports	<u>122.5</u>	<u>168.5</u>	<u>166.5</u>	<u>185.4</u>	<u>271.5</u>
Apparent Canadian Market	457.7	508.6	526.9	513.4*	607.5*
Percentage of Canadian Market					
Domestic	73	67	68	64*	55*
Imports	27	33	32	36*	45*

*Estimate

Source: Textile and Consumer Products Branch, Department of Industry, Trade and Commerce

The Board recognizes the considerable difference between this estimate of the Canadian clothing market, and that contained in the interim report. A major shortcoming of the data is the absence of statistics on the actual quantity of garments shipped by domestic manufacturers in 1975 and 1976, and which could only be estimated. There is no alternative available which would permit a more precise tabulation. Nevertheless, imports have seriously affected production and employment in the Canadian clothing industry and according to the best evidence available as presented in this chapter, injury has continued into 1977.

Since the interim report, new evidence has been obtained which has shed additional light on developments in the market during the last half of 1976 and early 1977, confirming the Board's earlier assessment of the impact of imports. As will be seen later in this chapter, imports in the second and third quarters of 1976 reached their highest levels in the last three years. At the same time, manufacturers' inventories of finished goods began to increase significantly and by the end of the fourth quarter were 30 percent above their 1975 level. Similarly, in the case of employment and man-hours worked, sharp decreases occurred in the fourth quarter of 1976 compared with the last quarter of 1975. Furthermore, the decline in employment and man-hours worked continued into 1977.

None of this evidence is visible solely from the shipment data which were obtained from manufacturers on an annual basis. The companies which responded to the Board's survey cover about one half the industry on an employment basis and were among the largest and generally the most efficient of the industry. The data obtained on shipments by category of manufacturer were as follows:

<u>Apparel Category</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
		--- '000 units ---	
Underwear and lingerie	50,094	52,084	54,832
Children's Wear	18,011	18,096	20,607
Foundation Garments	14,907	15,086	14,454
Leather Coats & Jackets	270	322	373
Swimwear	1,780	2,085	2,503
Sleep & Loungewear	5,499	5,443	5,193
Raincoats	268	241	235
Pants	25,045	25,659	26,629
Suits & Jackets	1,989	1,834	2,041
Blouses, Dresses, etc.	16,621	16,885	17,122
Outer coats & Jackets	<u>1,539</u>	<u>1,528</u>	<u>1,549</u>
Totals	136,023	139,263	145,538

However, when viewed on a quarterly basis, a completely different picture emerges of conditions prevailing in the industry in the second half of 1976. For example, information provided by joint and advisory committees in Ontario and Quebec on employment and man-hours worked in the fourth quarters of 1975 and 1976 indicates a decline of 9 percent in the number of employees and of 12 percent in hours worked. Details are summarized in the following table.

Man-Hours Worked and Employment, Fourth Quarter 1975 and 1976

	<u>Employees</u>		<u>Hours</u>	
<u>Quebec</u>	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>
Men's and Boys' Clothing	14,398	13,578	5,973,694*	5,810,126
Ladies' Cloaks and Suits	5,611	5,052	2,093,491	1,779,517
Ladies' Dresses & Sportswear	21,479	18,251	8,594,708	6,699,017
<u>Ontario</u>				
Men's and Boys' Clothing	3,131	3,296	1,404,997	1,449,599
Ladies' Cloaks & Suits	1,055	1,017	393,359	353,776
Ladies' Dresses & Sportswear	2,821	2,882	1,064,284	1,078,106
Total	<u>48,495</u>	<u>44,076</u>	<u>19,524,533</u>	<u>17,170,141</u>
Percentage Change		-9		-12

*Adjusted to compensate for a three-week strike in December, 1975 by members of the Amalgamated Clothing Workers' Union (about 50 percent of total clothing workers in that sector)

Source: Joint and Advisory Committees, Quebec and Ontario

Data provided on a quarterly basis, with respect to 148 companies in the Ladies' Cloak and Suit Industry in Quebec, employing fewer than 50 employees each, show the following information for the last quarters of 1975 and 1976 each:

Ladies' Cloak and Suit Industry, Quebec

<u>Year</u>	<u>Total Employees</u>	<u>Hours</u>		<u>Total</u>
		<u>Regular Time</u>	<u>Overtime</u>	
1975	2,185	741,522	36,559	778,081
1976	1,896	593,576	21,757	615,333
Percentage Change	-13	-20	-40	-21

Since goods which are destined for sale in the fall season are usually imported in the summer months, it is reasonable to expect that heavy increases in imports in those months would adversely affect domestic production in the following period. Statistics Canada data show that imports increased sharply in the second and third quarters of 1976 compared with the same periods of 1975. The different Joint Committees of Quebec, and the Advisory Committees of Ontario, reported that man-hours worked in the last quarter of 1976 declined by 13.8 percent over the last quarter of 1975, and one of the committees showed a decline of 53 percent in overtime hours worked in the same two periods. As already noted in Chapter VI, overtime is a normal feature of working conditions in the clothing industry.

Furthermore data supplied by two Joint Committees in Montreal and an Advisory Committee in Toronto, confirm a serious decline in employment and man-hours worked, not only in the fourth quarter of 1976, but also in the first quarter of 1977. In fact, one Joint Committee reported that early 1977 second-quarter figures show an even greater drop in man-hours worked than in the corresponding period for the previous year. The data obtained from the various Joint and Advisory Committees are given in the following table:

Employment and Man-Hours Worked: 1976 and 1977

Industry Sector	Number of Employees		Hours			
			Regular		Overtime	
	1976	1977	1976	1977	1976	1977
	-- '000 --					
Dress Cloak and Suit Industry, Quebec, January and February.	32.8	28.0	6682.3	5498.7	291.1	192.5
Percentage Change	-15		-18		-34	
Men's and boys' Clothing Industry Quebec and Ontario First Quarter	17.5	15.9	7717.7	6642.4	240.1	135.6
Percentage Change	-9		-14		-44	

Statistical and other data on imports are set forth in detail in Chapter IX. However, from the following summary it will be noted that while the increase in total imports since 1975 was 46.3 percent, increases on a quarterly basis ranged from 25 percent to 69 percent.

IMPORTS OF CLOTHING SUBJECT TO INQUIRY

Quarter	'000 units			Percent changes	
	1974	1975	1976	'74-'75	'75-'76
First	46,586	53,885	73,425	16	36
Second	42,645	39,559	67,050	-7	69
Third	41,956	44,561	71,895	6	61
Fourth	35,268	47,361	59,110	34	25
Total	166,455	185,366	271,480	11	46

Coupled with the sizeable increases in imports of clothing, department store inventories rose dramatically during the same period. Furthermore, it can be seen from the following table, that the finished goods inventories of garment manufacturers also increased significantly in the third and fourth quarters of 1976.

Clothing Inventories
(Millions of Dollars)

<u>Quarter</u>	<u>Department Stores</u>			<u>Garment Manufacturers</u> <u>Finished Goods</u>		
	<u>1975</u>	<u>1976</u>	<u>Percent Change</u>	<u>1975</u>	<u>1976</u>	<u>Percent Change</u>
First	414.9	501.6	21	161.3	156.9	- 3
Second	384.7	526.2	37	177.0	187.8	6
Third	443.1	601.7	36	132.9	161.0	21
Fourth	396.8	468.9	18	134.9	175.8	30

According to 1974 statistics the Canadian Clothing industry is comprised of 2,104 firms ranging in size from very small to large companies producing a wide range of apparel, with annual sales up to 2.3 billion dollars. Within the industry, use is made of outside contractors who manufacture partial or complete apparel articles for other manufacturers on a contract basis. The major sections of the apparel industry are:

- 1 Men's and Boys' Clothing Industry. This sector primarily produces suits, overcoats and jackets, pants, outerwear, shirts and other apparel.
- 2 Women's and Girls' Clothing Industry. This segment of the industry primarily manufactures coats and suits, dresses, sportswear, lingerie and miscellaneous wearing apparel.
- 3 Children's and Infants' Clothing Industry. The main products manufactured in this sector are: coats and other outerwear, suits, dresses, casual wear, underwear and other items.
- 4 Foundation Garment Industry. Produces primarily women's undergarments.
- 5 Knitting Mills. Products made: knitted wearing apparel.
- 6 Fur Goods Industry. The main products made by this sector are fur coats and other fur garments as well as accessories and trimmings.
- 7 Hat and Cap Industry. Produces hats and caps of various fabrics as well as millinery.

Items 6 and 7 are excluded from this inquiry. Items 1 to 5 inclusive, which were the subject of the Board's review, include 1874 manufacturing establishments.

BACKGROUND Clothing manufacturers in Canada gained industry status in the early 1900's when mass production of women's apparel was introduced. It was not, however, until after World War II that the importance of styling became significant. The late 1950's saw the beginning of rapid growth and new approaches to styling, production and marketing of garments. Increasing affluence, leisure, advertising and intensive promotion campaigns accelerated the demand for more variety in style and fashion. In brief, most segments of the apparel industry became much more fashion conscious.

In the late 60's a fashion revolution occurred within the apparel industry. Among the more dramatic changes was the so-called 'peacock revolution' which transformed the traditional men's wear sector of the industry of white shirts and dark suits into the kaleidoscopic portions of the early 1970's. Fun furs, bell bottom trousers, mini skirts and patterned stockings were some of fashion's dimensions in other product areas. Traditional fashion capitals have largely retained their influence but many Canadian manufacturers have developed the capability of producing distinctive Canadian styles successfully. In this regard, Montreal, Toronto and Winnipeg have become the Canadian fashion centres, and are on their way to establishing themselves internationally. However, according to the industry, Canadian designers continue to face the problem of having their lines readily accepted by the retail trade in Canada. Competition from 'Made in Europe' labels is very pronounced and it requires much perseverance on the part of Canadian designers to obtain the acceptability for their creations by the retailers of fashion merchandise.

In today's clothing industry, garment manufacturers tend to be classified according to type and quality of garment produced. There is considerable flexibility with respect to styling and materials used as producers adjust their lines to meet the specifications of buyers or to lead or keep up with fashion changes. At each phase of textile and apparel production the output becomes the major raw material for the next phase. This means that the primary textile industry which supplies 45 percent of its output to the apparel industry is indeed very heavily dependent on the apparel sector for maintaining its viability.

Similarly, the economic well-being of the clothing industry is dependent on a healthy fabric manufacturing sector. Many apparel manufacturers find it both desirable and advantageous

to collaborate with their Canadian fabric suppliers to develop quality fabrics which reflect the demands of the market-place. It is doubtful that the degree of rapport that has evolved between the clothing producer and the fabric manufacturer could be duplicated with foreign fabric suppliers, particularly in view of their apparent priorities of supplying the demands of their own market or those of the more lucrative export markets such as the United States and the European Economic Community.

Nevertheless, many clothing manufacturers feel that they must import at least a portion of their fabric requirements. While this action is motivated by price, in some instances, in other instances it arises out of non-availability of the fabrics in Canada, or the fact that the quality of fabric required is not produced in this country. With respect to the importation of fabrics, some clothing manufacturers feel that Canadian tariff rates are too high and are of the view that these rates should be reduced in the case of fabrics which are not available in Canada.

STRUCTURE AND LOCATION OF THE INDUSTRY In the apparel industry the geographic concentration of production is less pronounced than in the case of the primary textile industry. The following table shows the location of manufacturing plants and employment by province and average employment per establishment in 1974:

	<u>Establishments⁽¹⁾</u>		<u>Production Employment⁽²⁾</u>	
	<u>Number</u>	<u>Percentage</u>	<u>Total</u>	<u>Per Establishment</u>
Quebec	1,467	69.7	67,360	46
Ontario	449	21.3	22,524	50
Manitoba	95	4.5	6,628	70
British Columbia	48	2.3	2,663	55
Alberta	25	1.2	1,756	70
Saskatchewan	8	.4	599	75
Nova Scotia	8))))
New Brunswick	3)	.6)	986)	82)
Newfoundland	1))))
All provinces	2,104 ⁽³⁾	100.0	102,516	49

Source: (1) Statistics Canada; (2) Apparel Manufacturing Industry

(3) Includes manufacturers of gloves, hats and caps, hosiery and miscellaneous clothing n.e.s., which are excluded from the Board's review

From the previous table it can be seen that the heaviest concentration of the industry is in Quebec, the major centre of apparel manufacturing being Montreal, with other apparel manufacturers located in some 140 smaller centres such as Drummondville, St. Hyacinthe, Chicoutimi, St. Georges de Beauce and Victoriaville. In many of these centres the apparel manufacturing plant is either sole employer or one of the more important employers.

Ontario is the second largest area of concentration for the apparel industry. A major portion of manufacturing plants are located in Toronto with the remainder located in smaller centres, generally in the western part of the province but within relatively easy commuting distance from Toronto.

Manitoba is the third largest province in terms of the number of establishments. With only a few exceptions, the entire industry is located in Winnipeg. Smaller segments are located in British Columbia and other provinces.

During the past several years, a number of smaller companies have gone out of business or have been acquired by larger, more successful companies. New companies have commenced operations and overall there has been a slight increase in the number doing business today compared with 1970. There have been mergers and acquisitions to develop multi-divisional operations whereby common services would result in reduced costs. Optimum size and control of operations has been one of the characteristics in the development of multi-plant operations. The separation of operations into a number of specialized plants, each producing similar or like items but tied in to a central organization for overall direction, has resulted in stronger management at all levels.

Among the advantages listed for the multi-divisional type of operation are the following:

It avoids duplication of senior administrative staff.

The larger group can negotiate better financing arrangements and rates. When financing needs are pooled, the flexibility of the company and its component units is strengthened.

Fabric and other material purchasing is combined advantageously.

Production can be more evenly scheduled.

Selling and showroom expenses can be reduced. By coordinating lines, buyers can be influenced to make fewer stops.

CAPITAL AND REPAIR EXPENDITURES The apparel industry, being much less capital intensive than its major supplier, the primary textile industry, has nevertheless, over the period 1974-76, invested some \$51 million on new construction and machinery and equipment which, combined with repair expenditures of some \$19 million, gives a total expenditure of \$70 million for this period. Expenditures by years are set forth in the table below:

<u>Expenditures</u>			
<u>Year</u>	<u>Capital</u>	<u>Repair</u>	<u>Total</u>
(Millions of dollars)			
1974	20.3	7.0	27.3
1975	15.6	5.8	21.4
1976	<u>15.4</u>	<u>5.8</u>	<u>21.2</u>
Total	51.3	18.6	69.9

Source: Statistics Canada

The decline in total spending in each of 1975 and 1976 was approximately \$6 million from the 1974 level, equal to 22 percent. According to the industry, this decline has been caused mainly by the heavy influx of imported apparel, particularly from the low-cost countries. In this connection, a spokesman stated:

If investment is low at the present time it is because the investment climate is poor primarily because of uncertainty due to imports. Investment has not stopped and if you were to check with machinery suppliers we think you would find people are still buying machinery.

It was further pointed out that investment by the industry on a continuing basis is essential in order to maintain its competitive position in the small Canadian market.

In the joint brief submitted by the associations representing the manufacturers in British Columbia, Manitoba, Ontario and Quebec it was stated that:

Canadian apparel manufacturers industry uses the latest of what technology has to offer as soon as it comes on the market. It can match the

productivity level of other countries in terms of output per man-hour. Productivity increases as high as 30 percent have been achieved by adopting new technological developments. Opportunities have been identified for further significant productivity improvement through better utilization of human resources, production methods and machinery development. In order to invest in advanced technology, manufacturers must have a more stable market situation.

The substance of these remarks was frequently repeated by manufacturers or their association representatives appearing before the Board. Because of uncertainty with regard to the future level of imports, and consequently the market share available to Canadian manufacturers, there was reluctance to commit substantial sums for new capital investment.

Turning to investment per employee, the industry stated that when using Statistics Canada data it can be demonstrated that for the past decade the cost of job creation in the textile, apparel and knitting industries has been relatively low. In this connection, the industry estimated that investment per new job over the past 10 years in apparel and knitting has cost only 40 percent of what it would have cost in most Quebec industries, and less than a tenth of what a new job costs in the higher technology industries. The Board is aware that in the more labour intensive industries like the apparel industry, investment involved in establishing a new job tends naturally to be somewhat lower.

PRODUCTION EFFICIENCY In written submissions to the Board and in statements made at the hearings in various parts of Canada, frequent reference was made to inefficiency in the apparel manufacturing industry. This is a serious allegation since to the extent it could be proven it would have an important bearing on the viability of the industry and its capability in meeting foreign competition. Consequently, members of the Board closely questioned those making these statements to determine the facts on which their statements were based.

Those making the statements did not appear to have any hard facts to support their claims and for the most part they had not obtained the advice of people or firms qualified to make such a judgement. Consequently little credibility could be attached to these general statements. Nevertheless, the Board pointedly questioned manufacturers who appeared before it with regard to equipment and facilities and the degree of

qualified professional management employed in their operations in four main areas; production, human resources, financial planning and control, and marketing. As might be expected a wide range of answers were received and obviously there was considerable variance between large and small operators. The results of the Board's questioning might be briefly summarized as follows:

Some, and this was particularly true of the larger companies, were highly sophisticated in all areas, employing qualified professionals in key positions.

Some were highly sophisticated in some areas but not in others.

Some used outside consultants extensively with good cost saving results.

There appeared to be heavy emphasis on the use of the latest equipment and many stated their plants to be air-conditioned. Attendance at international equipment shows seemed to be the normal procedure.

Computer-controlled pattern making and 'laying-out' of patterns to reduce wastage in cutting cloth has been introduced by a few companies.

It appeared that some companies employed the latest equipment but probably fell short in the use of sophisticated management techniques.

The very small companies lacked a broad range of management skills because of their size, which placed an added strain on the owner or manager where he had to be a 'jack-of-all-trades'.

Many companies had their own 'in-house' training facilities for operators, some using television taping which could be played back to the trainee, hand and eye dexterity tests and other current training programs in manning their operations.

Some companies did not have a training program and consequently complained of a lack of trained operators.

Since the degree of efficiency or inefficiency in the industry would have a major bearing on the conclusions in the Board's report it was decided that an independent outside opinion should be obtained. For this purpose the management consulting

firm of Kurt Salmon Associates - Canada Ltd. was employed to survey a representative number of Canadian manufacturing plants and to make a general comparison with U.S. companies of roughly similar size and type of operations. A copy of their report is attached as Appendix 7. It would not be feasible to try to summarize their findings but one of their comments would appear to generally cover the situation. In a number of areas "...the total sample of American firms performed better than the total sample of the Canadian. Again, it must be stated that the larger Canadian firms performed better than the overall Canadian sample, and in some instances better than the American firms."

Kurt Salmon Associates - Canada, Ltd. is a wholly-owned subsidiary of Kurt Salmon Associates in the United States. The two firms estimate that over 90 percent of their clients are textile and apparel manufacturers. They are recognized authorities in this field.

In addition, a senior officer of the Board met with the representatives of major Canadian suppliers of equipment to apparel manufacturers to obtain their assessment of the extent to which the Canadian companies have availed themselves of the latest developments in manufacturing equipment.

Five equipment suppliers were visited. The general consensus of the views expressed by these companies was that the Canadian clothing manufacturers are progressive and wherever possible, are quick to adopt the latest developments in equipment and technology in their operations. A memorandum summarizing the results of the interviews is attached as Appendix 8.

Lastly, members of the Board and senior staff members have visited over 100 plants during the latter part of 1976 and early 1977 to gain first hand impressions of working conditions, the general condition of plant and facilities and the degree to which modern manufacturing equipment and material handling facilities were in use. Those selected ranged in size from large to small and were believed to be representative. The general impression gained was that for the most part the working conditions were good to excellent, the lay-out of the machinery and equipment in the plants was efficient and there was evidence of modern, up-to-date production equipment and material handling facilities.

From all of this - the Board's questioning of manufacturers who appeared before it; the survey carried out by Kurt Salmon Associates - Canada, Ltd., interviews with equipment manufacturers; and finally plant visits by members of the Board and its staff, has led the Board to the conclusion that generally the industry operates with an acceptable degree of efficiency.

As will be found in almost any industry there is a wide spectrum, ranging from those companies which operate with a high degree of efficiency to those which are not efficient and as a consequence are marginal producers. Based on the data gathered by the Board as outlined above it is not possible to say whether the industry overall operates at an above average rate of efficiency or not. Nevertheless, it has been clearly demonstrated that many of the manufacturing plants use the latest in modern manufacturing equipment and utilize professionally trained and qualified management personnel.

However, production efficiency must be accompanied by effective quality control. Throughout the Board's hearings frequent statements were made by retailers and others suggesting poor or inadequate quality control on the part of Canadian manufacturers. This was in relation to such things as the finished garments not meeting specifications in terms of size, colour and general workmanship. Kurt Salmon Associates - Canada, Ltd. have also reported on formal quality control systems in cutting and sewing. Their report shows that in the group of Canadian companies surveyed only 22 percent had formal quality control systems in the cutting operations compared with 55 percent in the United States. In the sewing department 19 percent of the Canadian companies had formal quality control systems compared with 77 percent in the United States.

The findings of Kurt Salmon would seem to support, to some degree at least, the general complaints registered by the retailers and others.

It would appear that those who complained of inefficiency in the apparel manufacturing industry were confusing efficiency with lower production costs in low-wage countries. One of the major reasons for the increasing level of apparel imports from low-wage countries is the great disparity in wage rates. The average hourly compensation of apparel production workers in Canada is approximately \$4.00 an hour compared with 38 cents in Korea and 48 cents in Taiwan in 1976. Since labour accounts for somewhat over 30 percent on average, of the Canadian manufacturing cost of a garment, there is a considerable labour cost disadvantage to Canadian manufacturers. With the mobility of capital, entrepreneurs can readily establish modern manufacturing plants in the low wage countries and, taking full advantage of the local low wages and incentive programs to encourage exports, undersell Canadian produced goods.

In accordance with Section 19(b) of the Textile and Clothing Board Act, companies claiming injury or threat of injury from import competition are required to file plans with the Board.

The plans are intended to show how the companies propose to adjust to market changes resulting from import competition. The present inquiry is wide-ranging and a considerable amount of data has been accumulated by the Board with regard to operations and plans of a number of apparel manufacturers. Included in Appendix 10 is a condensed summary of the responses received from some 300 companies with regard to their plans for the future. It is the intention of the Board to monitor, on a continuing selective basis, the progress being made by various manufacturers in implementing their plans and their ability in satisfying consumer demands.

PRODUCTIVITY AND DEVELOPMENT CENTRE The establishment of a 'Productivity and Development Centre' for the apparel industry was an integral part of the Textile Policy announced in the House of Commons on May 14, 1970, by the Minister of Industry, Trade and Commerce. Shortly thereafter, an industry-government task force was created and charged with carrying out a study of the government's proposal, and with recommending to the industry and the government the most appropriate type of centre, the services it should provide and how it should be funded.

The task force carried out extensive research, which included visits to selected European and United States centres and institutions. Based on its research, the task force issued a report in October 1972, setting forth its recommendations which were as follows:

- 1 A productivity and Development Centre for the Clothing Industry be established;
- 2 The Centre should have the facilities and professional personnel to carry out the following tasks on behalf of the Clothing Industry:
 - a. Organize special training courses for industry personnel on technical and managerial methods as practised in, or applicable to, the Clothing Industry;
 - b. Organize seminars dealing with recent advances in clothing technology, factory management, business practice, etc.;
 - c. Establish and oversee a national curriculum for training line personnel;

- d. Demonstrate new machinery and systems including the evaluation of the performance of each machine or system and the provision of advice on its suitability for incorporation in a company's operation;
 - e. Conduct surveys on some or all aspects of a company's operations; make recommendations concerning restructuring with attendant costs/benefits;
 - f. Provide services in areas of activity where equipment costs and demand make it uneconomic for individual firms to acquire this equipment, e.g. computerized pattern-grading;
 - g. Maintain a library and information service concerning matters affecting the Clothing Industry; issue a technical newsletter written in lay language;
 - h. Test fabrics and findings for suitability for clothing manufacture, and test garments for wear and performance, and set standards;
 - i. Undertake development projects on behalf of individual companies or groups of companies;
 - j. Maintain close and effective relations with government departments and their agencies with respect to all matters affecting the productivity or technical development of the Clothing Industry.
- 3 Since 65 percent of the Industry is located in the Province of Quebec, the Centre should be located in the Montreal region. It should provide equal service at equal cost to all regions of Canada, and should establish field offices and programs in clothing manufacturing centres other than the one in which the Centre is located;
- 4 A non-profit corporation be established with full powers to operate the Centre;
- 5 The initial capital cost of the Centre be met by a grant from the Department of Industry, Trade and Commerce of approximately \$1.1 million;
- 6 For the first three years, the operating cost of the Centre should be paid by the Federal Government,

with appropriate charges being made to individual companies for services rendered in excess of a certain amount provided gratis. During the next two years the cost of operations will gradually be taken over by the Clothing Industry. Thereafter, the Industry will assume full responsibility for providing the funds necessary to operate the Centre.

Unfortunately, the recommendations were never implemented.

As indicated earlier, the Canadian apparel industry is made up of some 2,100 establishments which range in size from very small (five or six employees) to very large companies with upwards of 1,000 employees. The establishments are scattered from coast to coast. The medium to large companies can afford to retain professional managers and technicians on staff or employ outside consultants for help in manufacturing problems, but this is not feasible for the small operator. Consequently, the small operator is at a distinct disadvantage when he needs technical or professional help. The establishment of a productivity and development centre as envisaged by the Minister of Industry, Trade and Commerce in 1970, would have been of major assistance in this regard.

Some regional sectors of the industry have taken initial steps to provide some of the services that could be expected from a productivity and development centre. For example, in 1963 the industry in Toronto formed the 'Needle Trade Management Association of Ontario'. The Association aims to promote the development of managerial personnel through courses, seminars, dinner meeting programs and plant visits. The industry in Manitoba is presently negotiating with the Federal and Provincial governments to establish a productivity centre intended to make engineering and productivity expertise available to every firm in Manitoba. This will be on-stream in 1977. In addition, the Manitoba industry has held courses and seminars sporadically over the past five years. Recently it has come to an arrangement with the Manitoba government on a shared-cost basis, which will provide a comprehensive three-year course to all supervisors and middle management personnel, covering motivation, communication, supervision and enhancement of people skills. These courses will start in 1977. The industry in Vancouver has also made some moves in this direction but on a more modest and less formal basis. It has established a machine operators' training school and management has organized informal meetings to discuss mutual problems. It is understood that discussions are currently being held in the province of Quebec leading towards the establishment of some form of productivity centre, but nothing is in operation there now.

While these efforts are highly praiseworthy, and show a good deal of initiative on the part of those who organize these affairs, they leave out large sections of the country and consequently do not include many companies which need assistance.

During the recent hearings of the Board in major cities across Canada, questions were regularly put to manufacturers with regard to contemporary production practices and procedures, and the degree of professional management which manufacturers employ in their operations. Some appeared to follow highly sophisticated methods and procedures indicating a high degree of efficiency; others appeared to employ varying lesser degrees of sophistication. But the fact clearly emerged that there is a very real need for a facility in Canada capable of providing technical aid and advice on equipment selection and production and management problems, and opportunities for formal training for management at virtually all levels.

As clothing manufacturing is highly labour intensive, major efforts have been made in recent years to develop labour-saving devices, and currently this is receiving increased emphasis. Because of the continually rising labour costs, manufacturers will have to introduce new pieces of highly mechanized and semi-automatic equipment into their factories. It appears that technological developments in apparel manufacture are accelerating, thus making more and more highly technical and sophisticated equipment available. On the one hand, this is a desirable and necessary development, but on the other hand it places added strain on the management of manufacturing plants, to be able to select the most appropriate new equipment which will best suit particular operations. This problem will be especially felt by the small operators who, because of their size, cannot afford highly qualified technicians on their staff. A properly organized productivity centre would be of great assistance in appraising and comparing the relative strengths and weaknesses of competing equipment and in providing unbiased opinions on the most suitable equipment in the particular circumstances.

The function of management and supervision in any business has become increasingly complex and demanding over the past several years due, amongst other things, to speed of communications, more complex technology, social change, and more and more intrusion by government in the private sector.

In the case of the apparel industry, there is also the problem of greatly increased style consciousness. It is predicted that the responsibilities of management will become more exacting, particularly for the apparel industry with its increasingly

sophisticated equipment and methods. Planning, rescheduling and control will have to be more precise, if larger amounts of production have to be obtained from relatively smaller numbers of specialized, high production machines.

Plans and schedules must be continuously reviewed and updated for styling and quantity changes. Supervision must be kept abreast of current developments, so that needs and shortages can be anticipated. As new manufacturing trends develop in the apparel industry there will be a need for more and better-qualified supervision to control and get the utmost efficiency out of new production equipment and processes. Consequently there is now, and there will be, a rapidly increasing need for the best facilities for training apparel manufacturing management and supervision, to meet the demands of the industry and to keep the industry efficient. Equipment and people must be managed. It is the success of management which basically determines the efficiency of an operation, using the equipment and the work force to the best advantage.

This need for management and supervisory training could be satisfied in large part by a productivity centre, and immediate steps should be taken to reactivate the recommendations of the task force in 1972. The Board believes the work of the task force should be reviewed in the light of today's circumstances, which it is felt will inevitably lead to some modifications of the 1972 recommendations. For example, in the Board's opinion, recommendations 2(e), 2(f) and 2(i) contemplate services which will be difficult for a central agency to provide and which can be provided much more effectively in the private sector. At most, the productivity centre management might provide advice to the manufacturers on the selection of private sector firms for these services.

In any event, the Board considers it to be of the utmost importance that a productivity and development centre be proceeded with at an early date.

IMPORTANCE OF THE INDUSTRY TO THE ECONOMY The industry is an important employer of Canadians who otherwise might have limited job opportunities. Traditionally, the apparel industry has been a source of employment for newly landed-immigrants, for whom language and lack of training or skills are barriers to many forms of employment. The labour scene is expanded in some detail in Chapter VI but at this point the importance of the industry to labour and localities is emphasized.

The interrelationship between the primary textile industry and the apparel industry has already been emphasized because the apparel industry draws heavily on the primary textile industry for its raw material requirements. In addition to the use of fabrics and yarns by apparel producers a number of other industries are major suppliers to this industry, including makers of thread, buttons and zippers.

Thread manufacturers have stated that they are feeling the effect of the sizeable increase of apparel imports on their output. A spokesman for a large supplier of thread stated that in 1975, imported garments contained about 1.5 million pounds of sewing thread. He further indicated that for 1976, the dramatic increase in apparel imports resulted in a significant increase in the amount of thread imported which was estimated to be about 2.3 million pounds. According to the spokesman, this increase in imports of sewing thread would likely cause the loss of 100 jobs in Canada by the end of 1976. The adverse effect on his own company was already being felt, with a reduction of 10 percent in employment, a reduction in the work week from 5 to 4 days and operating at about 60 percent capacity.

The Board has been advised that Canadian producers of buttons and zippers whose major customer is the apparel industry are also being adversely affected by the large increase in imports of wearing apparel.

In addition, the Board received a brief from the Institute of Commission Dyers, Finishers and Printers who expressed serious concern at the effect imported garments were having on the operations of their member firms. It was stated at the January hearings that the Institute's members' plants were then operating at between 50 and 60 percent of capacity with employment down on the average of 25 percent. Employment in one mill is reported to have declined from 185 persons in 1973 to 85 persons in 1976. This drop was experienced only in the last year and according to the Institute, corresponds to the great surge in apparel imports during the same period.

Frequently, the statement has been made that many clothing manufacturing plants should be closed down because of the higher cost of production in Canada, compared with low-wage countries. It is also said that those laid off by these plant closings should be re-trained for high technology industries. However, there are practical problems in attempting to carry out such a proposal for the following reasons:

What high technology industry is available or that can be established and financed to employ

the displaced apparel workers;

The apparel industry being labour-intensive, a major financial investment would be required to accommodate the persons displaced by any sizeable number of apparel plant closures.

According to the industry it is demonstrated by figures produced by Statistics Canada that for each million dollars of clothing output 69 persons are directly employed in the industry, and, as a consequence, a further 104 persons are employed in other industries. Based on these figures, it can be readily seen that increased apparel production will contribute directly and effectively to reducing unemployment.

Apart from providing employment for a large number of people, the apparel manufacturing industry has a further important contribution to make to the Canadian economy, and that has to do with security of supply. There are serious hazards in placing too much dependence upon foreign sources in case of war or serious international tension. This was brought home clearly during the period from 1939 to 1946, when the critical and strategic importance of the domestic industry was recognized. Even with the best will on the part of the allied countries, it was not possible during years of crisis or uncertainty to secure adequate textile and clothing supplies off shore. The Canadian industry was called upon to devote almost its entire capability to the production of textile and clothing products designated by government ranging from specialty fabrics to serges used by the Service Forces.

The recent experience of Sweden and the problem that country has encountered through adoption of a relaxed textile and apparel import policy is noted. The two industries, textiles and apparel, declined steadily from the early 1950's which was reflected in a drop of employment from 115,000 to 50,000 by 1974. It is understood that Sweden became concerned with security of supply which might arise in the case of any international disturbance, and introduced a number of import restrictions covering goods considered to be particularly sensitive. Accordingly, bilateral restraint agreements were concluded with a number of low-wage countries, in order to give a degree of stability to the domestic industry and ensure that it could provide basic strategic supplies.

EMPLOYMENT The 'Labour' chapter of this report provides extensive detail on employment and wages in the apparel industry. In summary, it is important to note that in 1976 approximately 114,000 were employed directly in the industry in Canada. The employment multiplier (which is explained on page 7 of Chapter VI) for the apparel manufacturing industry is 2.5. When applied to the direct employment for 1976 as shown above, the total employment supported by the apparel industry in that year would be 285,000.

Taken together, the apparel industry and the textile industry are the second largest employer in the manufacturing industry sector in Canada.

PROTECTION AFFORDED THE INDUSTRY The tariff protection afforded the clothing industry has been higher than for other sectors of Canadian manufacturing. However, according to the industry, the existing tariff structure is inadequate by itself to offset the cost advantages enjoyed by the 'low-cost' countries in the production of apparel which they export to Canada. It has been pointed out that the existing rates of duties in some cases do not appear to provide an adequate level of protection against developed countries, partly due to the high rates of duty on the fabrics required of the Canadian industry.

In the period 1945-1960, tariffs on textiles and apparel showed little change from the pre-war level. There were, however, modest reductions in the textile tariffs resulting from the original GATT negotiations, but these changes had little effect on the Canadian industries owing to the import controls which were in effect at that time, and the economic dislocation in war-ravaged countries of Europe and Asia.

The granting of MFN treatment to Japan in 1954, under the Agreement on Commerce concluded between Canada and that country, brought about a substantial reduction in the rates of duties applied to products imported from Japan, including apparel. By this time, much of Japanese industry had been rebuilt and they were in a position to export sizeable quantities of textiles and apparel to Canada, which they did. Coupled with this, the United States was left with excess capacity following cessation of hostilities in Korea, which led to a resurgence of exports to Canada from that country. The problems created by these developments were, in part, responsible for a major review of textile tariffs by the Tariff Board in 1957.

The last series of important tariff changes took place during the Kennedy Round negotiations. Canada granted tariff reductions on a number of items. However, the industry was left

with a higher level of protection, both in comparison with other Canadian manufacturing industries and most textile industries abroad.

THE MARKET It is estimated that the Canadian producers' share of the Canadian market has declined from 73.0 percent in 1971 to approximately 55.0 percent in 1976. The problem of producing a wide variety of apparel involving short-runs for a declining share of a small market is further compounded by the fact that Canada has never been a major exporter of wearing apparel. This overall situation has greatly hampered the industry in its attempt to improve its competitive position both domestically and internationally.

EASE OF ACCESS TO THE CANADIAN MARKET VS U.S.A. MARKET Canada, as one of the world's major trading nations has tended to keep this country's non-tariff barriers to a minimum. Under these conditions, substantial increases in imports, particularly of textiles and apparel have caused market disruption in the small Canadian market of some 23 millions of people. Large volumes of textiles have entered Canada at prices so low that the existing tariff offers minimum protection for the Canadian manufacturers. In many cases the low prices cannot be attributable to dumping, therefore the Anti-dumping Act cannot be applied. Hence, to provide further protection, Canada has had to institute these special measures of protection to assist domestic industries. In so doing, Canada has carried out its low-cost import policy on textiles primarily within the framework of the I.T.A. using mainly Article 3 in applying selective restraint measures.

On the other hand, the United States with a domestic market 10 times the size of the Canadian market began its restraint program under what is referred to now as Article 3 of the I.T.A. but abandoned the selective approach at an early stage when it proved unmanageable in the light of the large increase in textile products imported from a multiplicity of low-cost sources. The United States adopted instead, a comprehensive long-term approach to textile restraints of up to 5 years, under Article 4 of the I.T.A., supported by domestic legislation contained in Section 204 of the U.S. Agricultural Act. Article 3 of the I.T.A., used extensively by Canada, is now used sparingly by the United States and mainly in the event that comprehensive agreements cannot be reached under Article 4, or when only one or two products appear to be the sole cause of threatening injury. Only a small number of these selective agreements are in force.

It would appear that the use of comprehensive agreements covering broad ranges of apparel have given the American industry a degree of protection which has meant that their industry has

been able to retain over 80 percent of its large domestic market, whereas the Canadian industry subjected to the selective approach, has seen its share of the small domestic market decline rapidly in the past number of years to 55 percent of the total.

EXPORT INITIATIVES Total apparel exports by Canada have never been large. In 1976 they totalled \$55.3 million, representing only 2.3 percent of the industry's total output. Over the past years export trade in apparel has fluctuated with the United States being Canada's major market. Price and fashion innovation are said to be two of the major considerations in the industry's limited success.

The protective policies pursued by Canada's major trading partners in the field of garments has been a deterrent to expanding export trade to significant levels. The relatively high U.S. tariff, which in some instances provides rates in excess of 35 percent, has a particularly adverse effect on the Canadian apparel industry, protecting as it does what would otherwise be this industry's natural export market. Despite the relatively high levels of protection, Canadian manufacturers have in some instances been able to export to the United States. This indicates that to some degree Canadian producers have the capability to meet challenges of this large market. The success of some in penetrating the United States market contrasts sharply with a lack of success, and possibly initiative, by others. For example, the Manitoba Fashion Institute - the association of apparel manufacturers in Manitoba, reported that its members, representing 7.1 percent of the industry in Canada, accounted for 20 percent of total Canadian exports.

There are other examples of Canadian manufacturers achieving worthwhile success in the United States and other markets and it is the view of the Board that this is a desirable objective and should be pursued by other apparel manufacturers.

In addition, efforts should be continued to improve access for Canadian apparel manufacturers to markets in the United States and other developed countries.

EXPORT ASSISTANCE PROVIDED BY FOREIGN COUNTRIES In speaking on the subject of efficiency and the competitive situation, an industry spokesman stated:

We have heard many proponents of free trade. On the one side this assumes freedom from tariffs and quantitative import restrictions. On the other hand, and we have not heard this mentioned, it means that exports should

not be subsidized or assisted by foreign governments. One would think that the natural advantages of cheap and abundant labour would be enough to ensure the success of the export programs of developing countries. Apparently they do not think so because they offer significant incentives to lure foreign investment in the hope of generating foreign exchange.

The Board, in its review of export incentives available in textile exporting countries, has been advised that financial assistance is provided by several foreign governments to help stimulate export trade. Such assistance can be of significant benefit to a foreign exporter in selling his goods in the Canadian market at prices well below those of competitive Canadian goods. The Board understands that many of these programs are wide ranging, covering most sectors of industry in the exporting countries.

While it has not been possible for the Board to examine the financial programs offered by all countries exporting apparel to Canada, it has reviewed the programs of financial assistance offered by the Republic of Korea, Taiwan and Singapore. In this regard, the Board has been advised that the programs are illustrative of the type of financial assistance available to many exporters of textiles and apparel to Canada.

In the light of the importance of these programs respecting the exporters' competitive position in the Canadian market the following is a brief outline highlighting the assistance provided by the Republic of Korea, Taiwan and Singapore.

1 REPUBLIC OF KOREA To assist in the field of export promotion, loans are available to exporting firms at subsidized rates and with little or no restrictions on amounts. These loans cover expenditures for raw material purchases as well as production expenditures, with the rate of interest set at around 6 percent.

Export promotion is also assisted through tax reductions or exemptions; freedom from customs duty and commodity taxes on imported capital goods; no limitations on the degree of foreign ownership; guarantees on remittances of dividends, loans and other repayments, and a free export zone for manufacturers' operations, including special protection from unwarranted labour disputes.

2 TAIWAN A number of export incentives are made available to firms supplying export markets. These include favoured treatment in the allocation of scarce domestic raw materials,

import licenses, duty draw-backs, foreign exchange loans, reduced rates for transporting exports and other benefits.

Taiwan also offers further tax advantages for operating in specified Export Processing Zones, including the possibility of enjoying a perpetual tax advantage. Incentives are also available with regard to corporate tax, tariffs and capital investment.

3 SINGAPORE Special incentives for export purposes are available to firms, including a 90 percent reduction of income tax on incremental export profits for a period of five years. Eligible firms must export at least 20 percent of their total production to a value of no less than S\$100,000. In the case of export industries which have pioneer status they receive the full 100 percent company tax exemption for five years, and the 90 percent reduction of tax on incremental export profits for an additional three years. The concession on export earnings may be extended to firms for up to 15 years, provided fixed capital expenditures total a minimum of S\$1 billion or at least 50 percent of the firm is domestically owned and has capital expenditures totalling S\$150 million. This concession is also available to foreign-controlled firms. Corporate tax reductions and investment incentives are available.

In summary, it is evident that incentive schemes offered by low-cost countries, which include duty-free entry for imported capital goods, reduced corporate taxes, incentives to establish new facilities and special export incentives, give exporters of textiles and clothing in many of these countries a clear-cut advantage when competing in the Canadian market. Coupled with their low wage rates, it would be next to impossible for Canadian manufacturers with the normal tariff protection afforded them, to be in a position to compete under these conditions.

CONCERNS OF THE INDUSTRY It has been stated that the Canadian apparel manufacturers purchase about 45 percent of the output of the primary textile industry. However, the apparel manufacturers also import substantial quantities of fabric and yarn from foreign exporting countries for such reasons as style or fashion, exclusivity of pattern and fabric, order size and price. The Apparel Manufacturers' Institute of Quebec stated in its brief of January 12, 1977 that:

The range and styling of yarns and fabrics available from Canadian mills is not adequate to meet the fashion demands of the Canadian Consumer.

The lack of 'range and styling' is said to stem largely from

relatively small volume requirements of individual apparel manufacturers. Apparel manufacturers with the relatively small market that they serve, coupled with customers' demands for sophisticated fashion and uniqueness, require access to specialized materials in varying quantities. The primary textile manufacturer faces the same problems; namely supplying a wide ranging demand for specialized fabrics in limited volume. The problem is further compounded for the primary textile manufacturer through each apparel manufacturer requiring 'exclusivity' for the specialized materials he buys, thus ensuring that fabrics designed for his use will not be available to his competitors. Exclusivity restricts an already very narrow domestic market.

Consequently the Canadian primary textile manufacturer frequently finds it uneconomic to produce the 'very short runs' or limited quantities needed by the apparel manufacturer. In turn, the apparel manufacturer seeks his fabrics from a source in the United States or abroad.

The Board has been advised informally that, since the conclusion of the recent hearings, the associations representing the primary textile manufacturers and the apparel manufacturers have entered into discussions aimed at trying to resolve some of the problems of greater utilization of Canadian fabrics. In commenting on this matter, the spokesman for the primary producers advised the Board that every effort would be made to reach a reasonable solution which takes into account the interests of both parties. The Board regards the effort being made by both industries as a worthwhile step and it is hoped that some degree of success will result.

Throughout the Board's hearings there were frequent expressions of concern by the apparel manufacturers and their association, with regard to the buying policies and practices of the retailers. The following are quotations from the brief dated November 26, 1976 from the associations representing the manufacturers in British Columbia, Manitoba, Ontario and Quebec:

Canadian retail buying power is highly concentrated in the major department store chains. Shifts in their buying patterns can seriously affect manufacturers who are dependent on them. Their ability to place large orders with foreign sources leads to great uncertainty in the market place.

Domestic orders are cancelled for late delivery while the retailers seek extensions of import permits when delivery of

imports is late. Canadian manufacturers are rapidly becoming residual suppliers who receive fill-in-orders after import business has been placed.

The above quotations generally convey the concerns expressed to the Board.

The feeling was prevalent among manufacturers that despite the statement by the Retail Council of Canada that they "... have an interest in seeing a substantial and successful textile industry maintained in Canada ..." that retailers had greater interest in importing than in buying in Canada and that the domestic manufacturer was treated less favourably than the foreign supplier. Enterprising manufacturers claimed that new styles they developed and pioneered in mass produced garments were taken by retailers to a low-cost country where the same garment could be produced on a volume basis at a lower cost. Thus, the Canadian manufacturer did not get the benefit of his design and conversely the foreign manufacturer had free use of someone else's design.

The problems were discussed at some length with the manufacturers and their associations as well as with representatives of the Retail Council of Canada and retailers. The council and some of its members who appeared before the Board did not agree with the statements made by the manufacturers. However it is significant to note that these two groups have held several meetings since the conclusion of the Board's hearings and the Board hopes these meetings have led to the resolution of many of their problems. Reference to the extent of their agreement will be found in Appendix 9.

The associations representing the apparel manufacturers have recommended that all apparel products be placed on the Import Control List, for all countries except the United States, the developed countries of Western Europe, Australia and New Zealand. They have also recommended that the number of units of apparel to be allowed entry into Canada from those countries on the Import Control List be limited to the average of such imports in the period 1973-75.

It was explained that the purpose of these recommendations is to bring a degree of stability to the Canadian market which would enable the manufacturer to plan for the future. Imports have surged in three separate years since 1970. In 1971 there was a 21 percent increase over the preceding year, in 1972 a 41 percent increase over 1971 and in 1976 a 46 percent increase over 1975. In addition there have been major shifts within garment groupings.

These factors have had a disrupting effect on the market and Canadian manufacturers have claimed that in some instances, they have lost their traditional market to imports overnight.

The brief dated January 12, 1977 from the Apparel Manufacturers Institute of Quebec states that:

Domestic manufacturers must operate their plants all year round. Production flows must be scheduled as evenly as possible in order to keep our overheads and costs low. Surges in imports occur in the absence of equal quarterly allocations of quota because the activities of the large number of companies engaged in importing are not co-ordinated. When there is a heavy concentration of imports in a short period of time the surplus is sold off at distress prices.

Orders for Canadian made apparel are not placed. Canadian manufacturers' plants operate at less than capacity for weeks or months. This increases overheads and costs as well as disrupting the income flows of our employees.

It was stated that the drop in capital spending in 1975 and 1976 (see Page V-5) was due to the influx of imports and uncertainty as to the future. It was also stated that until there was more certainty in the market-place, long-term planning and spending on new plant and equipment would be curtailed. Long-term planning for the industry means import controls for a three to five year period. The time frame for planning, acquisition and installation of machinery and equipment in an existing plant, normally runs from one to three years and for major projects involving new building construction, the time frame can easily run to four or five years. Therefore, the restraint period, to be effective for the manufacturers, must be for a minimum period of three years.

MAJOR RECOMMENDATIONS BY THE INDUSTRY In the briefs submitted to the Board and at the hearings in various cities across Canada, the associations representing the apparel manufacturers and some of the individual manufacturers themselves, made specific recommendations to the Board. It would not be practicable to quote all recommendations in this report, but the following is a condensed version of the major or more important recommendations which were made:

- 1 All apparel products be placed on the Import Control List for all countries except the USA, Japan, the developed countries

of Western Europe, Australia, New Zealand and the Republic of South Africa. (See recommendation 15 below).

- 2 Imports of all products covered by this inquiry be rolled back to the average annual level of imports during the period 1973-75.
- 3 Import controls be administered by the Canadian government to ensure that quotas are not exceeded.
- 4 Ensure that quotas are not used in such a way that low-cost merchandise is replaced by high-cost merchandise.
- 5 Import permits be issued in equal quarterly amounts to avoid surges and to ensure orderly marketing patterns.
- 6 Import permits should not be extended and no carrying-forwards allowed.
- 7 Importers should be prevented from holding stocks in bonded warehouses from quarter to quarter.
- 8 Statistics Canada be instructed to improve the publicly available data on industry activity.
- 9 Enforce the labelling requirements with respect to identifying prominently the country of origin on all garments.
- 10 Require retailers using news media, catalogues, and circulars to advertise apparel, to state clearly the country of origin of the relative goods.
- 11 Limit to 4 or 5 the number of customs ports through which imported apparel may be cleared into Canada.
- 12 The proposed roll-backs of imports to the average annual level of imports in the 1973-75 level should remain in effect until Canadian-produced garments have regained 75 percent of the Canadian market in unit volume terms. Thereafter, Canadian-produced garments and imported garments should share in the market growth or decline on a 75/25 basis.
- 13 Import permit information setting forth permits issued and application of imports against permits should be published by the Export-Import Division on a regular basis with a frequency of at least once a month.
- 14 Restraints on imports must be established for a minimum three to five-year period to enable the industry to plan investment in plant and equipment and to train manpower.

- 15 Import surveillance should be established through placing all countries on the Import Control List. (This is a step further than recommendation No. 1 above.)
- 16 The government should clearly state its policy with regard to the apparel industry so that the industry can plan intelligently for the future.
- 17 The shirt industry must have free access to world fabric markets.
- 18 Where fabric imports are under quota, the import of garments made from the same fabric should similarly be placed under quota.
- 19 Provision must be made for the reduction in import quotas where the Canadian market declines, so as to maintain the agreed ratio between Canadian-produced garments and imported garments.
- 20 The government should establish a 'national clothing export council', similar to those already functioning in such countries as Italy, France and Ireland, to combine the efforts of all export-minded clothing manufacturers, to discuss common problems and to help set up exhibits and promotions at various trade shows.
- 21 Impose higher rates of import duties on imported garments trimmed with braid, appliques, or other decorations, in line with similar procedures employed in the United States.
- 22 Include price points or dollar values in any system of import quotas in addition to unit controls to ensure the import of low-priced clothing in appropriate quantities.
- 23 Quotas should be allocated on a basis relative to a company's investment in the Canadian economy.
- 24 One manufacturer favoured restraints on imports only in extreme circumstances, but, where restraints were necessary they should be on a global basis and the quotas should be controlled in Canada.

The associations representing the manufacturers, and in some instances the manufacturers themselves, stated to the Board that the Canadian industry was prepared to meet competition from the United States, Japan, the developed countries of Western Europe, Australia, New Zealand and the Republic of South Africa. There was considerable discussion on this point as the Board wished to be quite sure that this was the position of the

majority of the manufacturers in each location visited. Not only did the manufacturers hold to this opinion, but to a large extent they were supported by the labour unions.

There was one element of concern regularly expressed by the associations and the manufacturers, and that had to do with trans-shipments and false labelling of garments relative to the country of manufacture. The Board was informed that this is done to avoid quota restrictions in the various countries concerned. The charge was made so frequently that it appears to have a good deal of validity. The problem, of course, is to establish proof. Those making the charge were sincere, responsible people but to secure hard evidence is another matter. In addition, informants who provided some of the information were reluctant to become involved in an investigation for business reasons. Subject to the foregoing, the following are some of the incidents mentioned to the Board:

Labels bearing the inscription 'Manifattura Italiana' (Made in Italy) were observed being sewn into garments in a factory in Korea;

Labels which read, 'Made in Austria' were observed being sewn into garments in a factory in Romania for shipment to the United States;

Garments received in Canada bearing a 'Made in France' label were, according to knowledgeable persons in the industry, not made in France;

The United Kingdom carried out an investigation over a period of several years and was able to prove that garments entering the United Kingdom bearing labels 'Made in Austria' were in fact made in an eastern European country.

The first three are examples of what are purported to be actual occurrences, and the latter is a reference to a proven case in the United Kingdom. The Board believes there is sufficient circumstantial evidence to suggest careful surveillance of the situation in future, and this can be assisted through placing all countries on the Import Control List so that sudden surges in imports from any country not under quota can be examined and explanations obtained.

CHAPTER SUMMARY

Factors Pointing to Injury

- 1 The share of the Canadian market supplied by domestic manufacturers has declined from 73 percent in 1971 to an estimated 55 percent in 1976, pointing up the serious inroads made by imports in that period - mostly from low-cost countries.
- 2 Import penetration of some 45 percent of the Canadian market would indicate that the tariff protection accorded the apparel industry is by itself inadequate to permit the industry to compete with imports from 'low-cost' countries.
- 3 Substantial financial assistance through such means as import subsidies and abatement of a wide variety of taxes and import duties are provided by low-cost countries to foreign investors and others to establish apparel manufacturing plants for the prime purpose of exporting. Such schemes compound the problems facing the Canadian industry when competing in its domestic market against imports from these sources.
- 4 Restraints imposed by the United States against apparel imports, basically under Article 4 of the ITA, have been more effective than the selective approach used extensively by Canada under Article 3. For example, the U. S. industry supplies 80 percent of the market in that country compared with only 55 percent of the Canadian market being supplied by the Canadian industry. Thus Canada essentially has become a relatively open market for low-cost imports.
- 5 Due to uncertainty in the market-place, capital and repair expenditures in each of 1975 and 1976 were of the order of \$21 million, down from \$27 million in 1974, a decline of 22 percent.

Other Observations

- 6 Based on 1974 statistics, there were 2,104 apparel manufacturing plants in Canada, of which 70 percent were located in Quebec. Many of these firms are situated in high unemployment areas in that province and frequently are the sole or a major employer in the community.
- 7 The industry is labour intensive and in 1976 accounted for about 114,000 direct employees. Using the employment multiplier to include those indirectly employed, the total direct and indirect employment in 1976 would be 285,000.

- 8 Many companies have contemporary training programs for employees which they claimed solved their labour supply problems. Those without training programs frequently complained of a shortage of trained help.
- 9 Based on evidence collected by the Board, the Canadian apparel manufacturing industry operates with an acceptable degree of efficiency and in many instances compares favourably with the U.S. industry. Nevertheless, it seems essential that to compensate for Canada's high labour rates, greater stress must be placed on improving productivity through upgrading facilities and strengthening management at all levels.
- 10 There is some question of adequate quality control in manufacturing operations and this warrants greater attention in future.
- 11 A Productivity and Development Centre along the lines envisaged when the present 'Textile Policy' was announced in 1970, and which was extensively researched shortly thereafter, would be of major assistance to the industry and should be established without further delay.
- 12 In a number of instances mergers and acquisitions have taken place and new plants have been opened to develop multi-divisional enterprises. The object of these moves appears to be the delegation of production responsibility coupled with centralized general management and control and the pooling of common services to reduce costs. Moves of this character should be carried out on a much larger scale in order to combine smaller operations into larger complexes for financial strength and productivity improvement with consequent cost savings.
- 13 The capital investment required to establish an apparel manufacturing plant in terms of cost per employee is about 40 percent of the average for all manufacturing and about 10 percent in the case of high technology industry.
- 14 Apparel manufacturers must import substantial quantities of fabric and yarn because Canadian mills are unable to supply the variety, fashion and exclusivity of patterns needed by the industry in small quantities, at competitive prices.
- 15 Some Canadian manufacturers have achieved considerable success in the export market, but the total volume of exports represents a relatively small percentage of total production. It would appear that the export market has considerable potential for many Canadian companies and

warrants greater efforts in the future.

- 16 Every effort should be made to improve access for Canadian apparel manufacturers to markets in the United States and other developed countries.

During the inquiry the Board received submissions and heard presentations from the four major labour unions involved in the clothing industry. Individual representations were made by the Centrale des Syndicats Démocratiques (CSD) and the Confederation of National Trade Unions (CNTU). Joint representations were made by the Amalgamated Clothing and Textile Workers' Union (ACTWU) and the International Ladies Garment Workers' Union (ILGWU).

In their briefs, the unions referred to the disruption in employment caused by the increases in imports and claimed that government action had not been sufficient to protect employment and to provide a climate of confidence for growth of the industry. An analysis of employment in the clothing manufacturing industry reflects the concerns of the union groups.

TRENDS IN EMPLOYMENT IN THE CLOTHING INDUSTRY Following the Korean war, the employment in the Canadian clothing industry experienced a steady decline from slightly under 100,000 employees to approximately 86,000 by the end of the decade. Beginning in the early 1960's however, the trend was reversed, and with slight annual variations total employment increased to reach a peak of 119,000 employees in 1973. Data presented by the unions indicated that total employment in the clothing industry declined from 1973 to 1975, but showed some recovery in 1976. Monthly data from Statistics Canada showing the number of wage earners (workers engaged in production and related occupations) indicate the same trends but show that the 1976 recovery took place in the first half of the year, and the second half saw a sharp decline.

There are no statistical series on labour available from Statistics Canada which correspond exactly to the categories of

clothing covered by the inquiry. Data on the clothing sector include certain categories not covered by the inquiry, whereas the knitting mills' data include the firms producing some of the garments covered by the inquiry, in addition to sweaters, hosiery and knitted fabrics. Nevertheless, the two statistical categories for 'clothing' and 'knitting mills' are good indicators and have been used to describe employment trends. Table A (page VI-16) shows the monthly employment levels of all wage earners in the 'clothing' and 'knitting mills' which employ more than 20 workers. It will be noted from the table that the number of wage earners in the clothing industry remained stable at approximately 74,000 for the first three quarters of 1974, then declined to reach an average of approximately 70,000 in mid 1975, and increased again to reach about 73,000 in the first half of 1976 before the substantial decline in the latter part of 1976. Employment in knitting mills during the same period has been comparable, leading similarly to a sharp decline in the second half of 1976. Chart A (page VI-18) illustrates the trends in employment in the clothing and knitting sectors, but over a longer period than Table A.

Statistics on employment in certain sectors of the clothing industry are also collected by regulatory organizations having jurisdiction over terms of employment in these sectors. Employment statistics have been made available to the Board by the six organizations listed below:

Quebec

Joint Committee, Men's and Boy's Clothing Industry
Joint Committee, Ladies' Cloak and Suit Industry
Joint Commission for the Dress Industry

Ontario

Advisory Committee, Men's and Boys' Clothing Industry
Advisory Committee, Ladies' Cloak and Suit Industry
Advisory Committee, Ladies' Dress and Sportswear Industry

Together these six committees cover more than 50 percent of the total employment in the clothing industry and the knitting mills. The statistics they have provided should, therefore, be indicative of the employment trends in the industry. The following table compares the level of employment in the six sectors covered by the committees in the fourth quarter of 1975 and 1976 respectively:

Number of Production Employees

	<u>Fourth Quarter</u>		<u>Percentage</u>
	<u>1975</u>	<u>1976</u>	<u>Change</u>
Quebec			
Men's and Boy's Clothing	14,398	13,578	-12.6
Ladies' Cloaks & Suits	5,611	5,052	-10.0
Ladies' Dresses & Sportswear	<u>21,479</u>	<u>18,251</u>	-15.0
Sub-total	41,488	36,881	-11.1
Ontario			
Men's and Boys' Clothing	3,131	3,296	5.3
Ladies' Cloaks & Suits	1,055	1,017	- 3.6
Ladies' Dresses & Sportswear	<u>2,821</u>	<u>2,882</u>	2.2
Sub-Total	7,007	7,195	2.7
TOTAL	48,495	44,076	- 9.1

Source: Joint and Advisory Committees as previously mentioned.

The 9.1 percent decrease in the number of production employees confirms the trend in employment reported by Statistics Canada and cited by the labour unions in their briefs to the Board.

MAN-HOURS WORKED Data on man-hours worked in the clothing and knitting sectors as compiled by Statistics Canada are detailed on a quarterly basis in the table below:

Man-Hours Worked: Production Workers (¹000)

	1974	1975	1976
Clothing Industry			
First Quarter	32,805	29,921	31,390
Second Quarter	32,074	30,013	30,311
Third Quarter	31,086	29,934	30,864
Fourth Quarter	<u>29,832</u>	<u>30,343</u>	<u>28,916</u>
Total	125,797	120,211	121,481
Knitting Mills			
First Quarter	8,923	7,814	8,227
Second Quarter	8,768	8,319	7,916
Third Quarter	8,219	8,354	7,714
Fourth Quarter	<u>7,690</u>	<u>8,541</u>	<u>7,262</u>
Total	33,600	33,028	31,119

Source: Statistics Canada, Catalogue No. 72-002

The total man-hours worked each year, as shown in the preceding table, correspond to the statements made in the joint union brief. It will be noted however, that the man-hours worked in the last quarter of 1976 in both sectors showed a sharp drop in relation to the preceding quarter of 1976 and the same quarter of the previous year, and immediately followed the surge in imports of clothing at that time.

The Joint Committees in Quebec and the Advisory Committees in Ontario also supplied data on man-hours worked in the last quarter of 1975 and 1976 in their respective industry sectors. In addition, statistics on man-hours worked in eight of the largest clothing firms in the Winnipeg area, and from a representative group of men's and boys' shirt manufacturers, have been obtained by the Board. These statistics from the Committees and from the two other groups of producers are summarized in the table below:

Man-Hours Worked in Certain Industry Sectors
(Production Workers)

	<u>Fourth Quarter</u>		<u>Percentage</u>
	<u>1975</u>	<u>1976</u>	<u>Change</u>
Quebec			
Men's and Boys' Clothing	5,973,694*	5,810,126	- 2.7*
Ladies' Cloaks & Suits	2,093,491	1,779,517	-15.0
Ladies' Dresses & Sportswear	8,594,708	6,699,017	-22.0
Ontario			
Men's and Boys' Clothing	1,404,997	1,449,599	3.2
Ladies' Cloaks & Suits	393,359	353,776	-10.0
Ladies' Dresses & Sportswear	1,064,284	1,078,106	1.3
Eight Firms, Winnipeg Area	1,033,185	849,113	-17.8
A representative group of men's and boys' shirt manufacturers	2,267,874	2,029,343	-10.5

*Adjusted to compensate for a three-week strike in December 1975 by members of the Amalgamated Clothing Workers' Union (about 50 percent of total clothing workers in that sector)

The data in the above table indicate a significantly sharper overall decrease in man-hours in the particular sectors covered than in the overall industry as reported by Statistics Canada.

AVERAGE WEEKLY HOURS WORKED Data on average weekly hours worked are another indication of prevailing conditions in the

industry. Monthly statistics are available from Statistics Canada for all establishments employing over 20 persons and have been reproduced in Table A for the period from January 1974 to February 1977. The trend indicated by the figures is one of decline during the first half of 1975 compared with the corresponding period in 1974, followed by an increase during the second half of 1975. Throughout 1976 however, average weekly hours were generally below those of 1975 by a small margin. In comparison with 1974 they were lower by a more significant margin on a fairly consistent basis. The averages do not reflect the problems of many firms which placed their employees on shorter weekly hours in the last quarter of 1976.

OVERTIME Data on regular and overtime hours worked have been supplied by four of the Advisory or Joint Committees previously named. The data are given in the table below:

Regular and Overtime Hours Worked in Certain Sectors

	REGULAR		Percent- age Change	OVERTIME		Percent- age Change
	Last Quarter			Last Quarter		
	1975	1976		1975	1976	
Quebec						
Ladies' Cloaks/Suits	1,936,197	1,693,487	-13.	157,294	86,030	-45.
Dresses and Sportswear	8,282,373	6,551,263	-21.	312,335	147,754	-53.
Ontario						
Men's/Boys' Clothes	1,374,743	1,404,664	2.	30,254	44,935	48.
Ladies' Cloaks/Suits	377,561	341,419	-10.	15,698	12,357	-21.

These four sectors represent only a portion of the total clothing industry, but the overall decrease in regular and overtime hours worked is again indicative of the trends exhibited in other statistics discussed in the previous sections. A possible explanation for the increase in hours worked in the men's and boys' clothing sector is the fact that measures of protection against imports of men's suits were in effect at that time, which was not the case for the other sectors. Overtime may appear to be a paradox when man-hours of employment are in a decline, but it is inevitable that overtime occurs when manufacturers are meeting a deadline for an order or orders at certain times, even though later slowdowns will require a reduction in regular hours.

UNEMPLOYMENT The Unemployment Insurance Commission has provided data on the number of active claims by unemployed workers; this is a good indicator of the employment situation since it reflects the number of unemployed workers receiving benefits at any one time. The data are provided below for three major occupational groups in the clothing industry.

Number of Active Claimants to Unemployment Insurance
(Quarterly 1974, 1975, 1976)

	Patternmaking Marking and Cutting			Tailors and Dressmakers			Sewing Machine Operators		
	1974	1975	1976	1974	1975	1976	1974	1975	1976
First Quarter	983	1,089	884	2,840	3,017	2,839	12,240	15,157	11,657
Second Quarter	647	928	718	2,406	2,632	2,322	9,932	14,183	10,368
Third Quarter	562	730	747	2,293	2,362	2,175	8,203	10,241	9,215
Fourth Quarter	728	821	1,022	2,384	2,357	2,336	12,361	11,343	14,363

Source: Report on Active Claimants by Occupation,
Unemployment Insurance Canada (Quarterly)

Again this record shows the increase in claims for the last quarter of 1976; claims increased generally with the exception of Tailors and Dressmakers. This increase again reflects with the import thrust in 1976.

The Centrale des Syndicats Démocratiques, in its brief, emphasized that employment in the clothing industry, instead of following the positive evolution of the industry in general, had been marked by instability, stagnation and even regression. It indicated that employment declined by 2.54 percent between 1972 and 1975.

In their joint submission, the ACTWU and the ILGWU alluded to recent trends in employment and man-hours worked in the industry, and concluded that increasing imports, particularly from low-wage countries, had adversely affected employment. They referred to significant reductions in the amount of work available since 1973, with man-hours worked declining a total of 4.0 percent since that year. They noted that the problem

of decreasing employment was even more serious in particular sectors of the industry. The two unions claimed that over the years, job opportunities had been eliminated in the garment industry because of imports, and estimated at about 75,000 the number of potential jobs lost as a result of the increase in imports since 1966.

IMPACT OF CLOTHING MANUFACTURING ON REGIONAL EMPLOYMENT The textile and clothing industries as a whole, with a total employment of approximately 200,000, provide one in every twelve manufacturing jobs in Canada. Quebec alone accounts for about 60 percent of total employment in these industries, or one in every four manufacturing jobs in that province. Unlike the primary textile industry, the clothing industry has tended to concentrate in the large urban centres with large labour pools. Nevertheless, in recent years there has been a definite, although slow, trend for garment manufacturers to move out of the principal urban centres into smaller communities. Many small communities, particularly in Quebec, rely on the garment industry for maintaining local employment. At one time, 80 percent of the Quebec plants were located in Montreal, but today only 60 percent remain, the balance having gone to other areas. This tendency is not so marked in Ontario, and is not apparent in other provinces where there are clothing plants.

Plants located outside the large cities, particularly in Quebec, are often situated in areas of high (and increasing) unemployment. The following pattern of employment in selected regions indicates the importance of the industry to these localities.

<u>Region</u>	<u>Production Employees, Textile and Clothing Firms</u>	<u>Total Regional Labour Force, Early 1976</u>	<u>General Unem- ployment Rate (Percent)</u>	
			<u>Early '76</u>	<u>Early '77</u>
Sherbrooke	2,728	74,500	9.0	13.0
Drummondville	3,733	28,950	9.8	16.0-17.0
Victoriaville	2,067	21,850	7.6	13.0
St. Hyacinthe	2,297	44,165	8.1	10.0
St. Georges	2,102	31,450	10.3	15.0-18.0
Shawinigan	380	16,575	10.8	14.0

In considering employment in any sector of industry, use is frequently made of a 'multiplier'. The employment multiplier

is defined as the factor by which total employment will increase when one person is hired in a given industry. For example, statistics may show that when one person is hired in the apparel industry the increased spending by him and by his employer will result in another 1.5 new jobs; thus the employment multiplier would then be 2.5 which is the multiplier used by Statistics Canada. When this is applied to the total of approximately 114,000 employees in the apparel industry in 1976 the total number of workers supported by the industry in that year would be about 285,000.

LABOUR AS AN ELEMENT OF COST The ACTWU/ILGWU joint submission examines at length the factors of efficiency and productivity of labour in 'low-cost' imports. It is a fact that there is little difference in output per man-hour between firms in Canada and firms in other countries including the more active low-wage countries. The kind of countervailing advantage in technology which exists in other industries to enable manufacturers to overcome the substantial disadvantages of higher labour costs, does not give clothing producers that edge. Thus, Canadian producers of clothing find it difficult to compete with low-wage suppliers when output per man-hour remains the same. While the overall level of technology and production efficiency has been steadily increasing in recent years, the industry world-wide still remains labour intensive. Hence, for a high-wage country like Canada, wage differentials contribute to the larger labour input per unit of production, and account for a large proportion of the sales dollar. Wages and salaries in the clothing industry in 1972-1973 ranged between 30 percent and 50 percent of the sales value of the product (depending on the sector). Wage costs have been reported by the labour unions to be 37.4 percent on the average of total corporate sales for the clothing industry as a whole, 31 percent for knitting mills and only 20.1 percent for all manufacturing industries.

Assuming some scope for a greater degree of labour savings in Canada, and/or increased productivity through the use of more capital equipment (a doubtful advantage over other countries with technology available world-wide), the wage spread between Canada --or many of the developed countries for that matter-- and the low-wage supplier countries is wide enough to result in a substantial cost differential between imported and domestic garments of comparable quality. The conclusion which some may quickly reach is that Canadian labour is therefore too costly to support such an industry. It must not be forgotten however, that by Canadian standards the garment workers are on the low end of the industrial wage scale, and that factors other than labour costs alone must be considered in the assessment of this problem.

The following table compares Canadian and foreign workers' rates of pay in the clothing industry.

Clothing Industry Wage Rates for
Selected Countries, August, 1976
(U.S. Dollars)

Sweden	6.82
Canada	4.40
United States	4.05
Belgium	4.05
Italy	3.60
Germany	3.50
France	3.12
United Kingdom	2.22
Japan	1.60
Poland	0.88
Romania	0.67
Taiwan	0.48
Korea	0.38

Source: Apparel Manufacturers' Institute of Quebec

The differentials between the average hourly earnings of workers in all manufacturing industries and those workers engaged in the different branches of the clothing industry have widened steadily in Canada over recent years. The CSD notes that the average weekly wage in 1974 was \$114.45 in the clothing industry, compared with \$185.62 for all manufacturing; the subsequent evolution up to July 1976 showed there has been a slower gain in purchasing power for the clothing workers than on the national average. The ACTWU/ILGWU also note in this connection that fringe benefits paid to clothing workers are not as large as those in most other manufacturing industries.

On the basis of Statistics Canada data, it appears that the average hourly earnings in the Canadian clothing industry (Table B, page VI-17) remain considerably below the average wage for all manufacturing.

LABOUR AVAILABILITY AND MOBILITY A number of comments have been received concerning availability of labour, or lack of it.

On the negative side, the view has been expressed that historically labour in the clothing industry in large urban centres has been predominantly immigrant and that native Canadians in Montreal, Toronto and Winnipeg do not choose to work in the clothing industry. It is argued that even in areas of very high unemployment, it is still not possible to attract sufficient labour to man the clothing factories, and without a flow

of immigrants the chronic labour shortages will inhibit the industry's growth. It has been estimated that in Quebec, over 40 percent of the workers in the garment industry were not born in Canada.

Some manufacturers admit there is a shortage of labour in certain specific occupations and skills. One manufacturer in a specific industry sector producing essentially low-priced garments suggested that his difficulties in labour availability relate to the greater ability of other sectors of the garment making industry (those producing higher priced goods) to offer better pay to sewing machine operators. Other reasons cited are relatively low wages paid in the apparel industry generally, and in particular in the urban centres where alternative employment possibilities pay better. Another reason is the continued 'sweat shop' image of the industry compared for instance, with retail trade which also employs a high ratio of women.

On the other hand, other people do not agree that labour is difficult to obtain, noting that there are many workers who have been laid off by garment manufacturers during the past year, and that many of them would prefer to be working. The number of vacancies reported and the number of registered clients without employment seeking employment as sewing machine operators for 1976 in Quebec indicated an average ratio of around 11 applicants for each registered vacancy. In the Montreal area, however, the ratio of applicants to vacancies, which was about 3:1 in the first quarter of 1976, rose to 16:1 in December of the same year. In Ontario, the average ratio of applicants to vacancies was similar for Toronto and for the whole province but showed the same tendencies as in Montreal, rising from 8:1 in the first quarter of 1976 to about 20:1 in December. In Manitoba, the ratio of registered persons to reported vacancies was reversed, averaging 0.2-0.3 persons per vacancy early in the year, although the ratio rose progressively to reach close to .9 persons per vacancy in late 1976.

WOMEN IN CLOTHING AND TEXTILE INDUSTRIES There appears to be a consensus of opinion about the lack of mobility of labour in the apparel industry; this possibly is accounted for by the high percentage of female labour in the garment trade, many of whom are working to supplement family income. Statistics Canada provides the following figures:

<u>Industry Sector</u>	<u>Percentage of Female Employees</u>
All Clothing	75.3
Men's Clothing	72.2
Women's Clothing	79.8

<u>Industry Sector</u>	<u>Percentage of Female Employees</u>
Children's Clothing	77.7
Knitting Mills	63.5
Other Textile Products	38.3

Source: Statistics Canada, Catalogue No. 72-002, October 1976

The ACTWU/ILGWU joint submission states that women's family ties prevent geographic mobility:

The critical situation is further underlined by the fact that workers that normally find employment in the garment industry have very few alternative opportunities for employment. About 8 out of every 10 workers are women whose family ties prevent geographic mobility. In effect, the garment industry is the largest single employer of women seeking factory work. It provides jobs for many people throughout the country who would otherwise be unemployed or else would be forced out of the labour force.

This lack of geographic mobility was clearly noticeable in Montreal when the garment industry moved from the populous East End to the modern buildings in the North Side a few years ago. A significant proportion of the workers reportedly refused to follow. One may perhaps draw a cautious parallel between this and the statement submitted to the Board by a Montreal garment manufacturer, who is still located closer to the East End, to the effect that he has no problem finding labour and in fact receives more applications than he can use.

As regards the higher degree of skills and education required for employment in some of the more profitable industries, the ACTWU/ILGWU joint submission notes:

Experience clearly demonstrates that, even when business is booming and the gross national product advances rapidly, poverty and unemployment remain a problem for many citizens. That is why every technologically advanced society has to provide its people with a full spectrum of jobs, from the least skilled to the most advanced, in order to attain the fullest employment possible. Fitting people into jobs they can perform is a difficult, complex, and frequently disheartening task, as are attempts to move people from their regular line of employment into different operations. Occupational adaptability is far from common. If maximum employment opportunities are

to be attained in Canada, it is essential that the country should seek to maintain a balanced job structure at all times, and that it should prevent the loss of the (garment) industry which contributes to the attainment of such a balance.

These views concerning mobility are generally supported by a 1970 study by the Department of Manpower and Immigration which points out that employment alternatives for workers of this industry are limited because:

- 1 The average level of education is low;
- 2 The average age is over 40;
- 3 Workers are predominantly female and secondary wage earners;
- 4 Many workers have limited command of the English language.

TRAINING AND PERSONNEL POLICIES The clothing industry in Ontario has been instrumental in aiding the development of the only college level apparel school in Canada. Manitoba and Ontario manufacturers, through their respective provincial apparel associations have developed and supported training courses and seminars for all levels of managerial personnel. The subject of training has been discussed at length in Chapter V.

LABOUR AS AN ECONOMIC PARTNER Labour and management in the clothing manufacturing industry have generally enjoyed good union-management relations over the years. The union representatives presented responsible briefs to the Board, expressing deep concerns for the well-being of the industry.

The CSD, in evaluating the Textile Policy, lays particular stress on what it sees as the basic weaknesses of the policy in terms of its two principal objectives, that is: rationalization of the industry; and the provision of interim protection from disruptive imports. The CSD suggests the Board's mandate has tended to be 'corrective' rather than 'preventive', and that it limits the Board to an essentially narrow 'case-by-case' approach to industry problems. Like the CSD, the joint ACTWU/ILGWU submission concludes that a comprehensive evaluation of the consequences of what it views as the rising tide of garment imports is only possible on the basis of an examination of the industry in its totality. The CSD sees as a weakness in the policy's application, the undue delays in taking effective, preventive action. It sees one of the reasons for the delay

as the 'enormous' lapse of time between the filing of complaints of injury to the Textile and Clothing Board by the industry, and the submission to the Minister of the Board's recommendations. While it agrees these delays are partially inevitable because of the requirement for the Board to take full account of all factors, it nevertheless feels this reduces the effectiveness of government intervention.

The CSD sees another weakness in the Board's mandate, based on its belief that the interests of the worker and those of the employer do not always necessarily coincide. In particular the CSD feels that the workers are in a more difficult position than manufacturers because the latter have greater latitude for self-protection from hardship caused by imports. For instance, they can become importers themselves, or they can transfer capital out of the industry, and in so doing, in effect can shift the burden of the disruption on to the workers. For these, the low mobility and reduced chances of alternative employment, particularly in this industry, given the prevailing age profiles and geographic distribution, can cause accrued hardship. The CSD concludes that, in view of the stress placed by the National Textile Policy on the workers in the industry, labour representatives should be given the right to file a notice of complaint directly with the Textile and Clothing Board.

The conclusions and recommendations of the labour unions are summarized as follows:

- 1 Imports from low-wage countries have increased and are threatening Canadian production and employment. The situation will worsen unless government action is taken to provide relief.
- 2 The rise of imports has wiped out a number of potential jobs in the garment industry estimated at approximately 75,000 since 1966.
- 3 The interrelationship of the branches of the industry requires a total approach to any action considered or taken with regard to imports.
- 4 It is impossible for Canadian clothing firms to compete with suppliers in low-wage countries even at maximum efficiency.
- 5 There is a requirement in industrialized countries to provide a full spectrum of jobs from the least skilled to the most advanced in order to attain the fullest employment possible.

- 6 Workers and consumers should have the right to request the Board to conduct inquiries on the same basis as is now accorded to the manufacturers.
- 7 Procedures should be developed whereby the Board would be able to discern injury quickly and to anticipate injury to employment and production in Canada, and an integrated approach should be taken, on a long-term basis, in any measures of protection recommended and implemented, and this should be done in close consultation and collaboration with all parties involved.
- 8 An overall labelling and promotion policy should be developed to ensure proper identification of all goods sold in Canada.

CHAPTER SUMMARY

- 1 The Board notes that both regular hours worked and overtime declined year by year, from the peak in 1973. There was a partial recovery in the latter half of 1975 and early 1976, but this was followed by a sharp decline in the last half of 1976; a decline which in the Board's opinion, reflects to a certain extent the sudden sharp increase in imports which took place during the same period.
- 2 In terms of regional implications, the unemployment in the garment industry, directly as well as through the multiplier effect on the primary sector, has been occurring (a) essentially in the regions of already high unemployment; and/or (b) in communities which are highly dependent on this industry for their livelihood and well being.
- 3 Effectively, the interrelated textile and clothing industries currently provide one job in twelve in manufacturing in Canada, and one in four in Quebec, and at the same time it is the largest single employer of women seeking factory work in Canada.

TABLE A

Number of Wage-earners and Number of Average Weekly Hours in the Clothing and Knitting Industries
(Monthly, January 1974 to February 1977)

	All Wage-earners*		Average Weekly Hours*	
	Clothing	Knitting	Clothing	Knitting
1974	(thousands)			
January	74.6	18.6	36.1	39.1
February	75.5	19.2	36.3	39.2
March	75.1	19.2	36.8	39.1
April	74.5	19.2	36.3	38.7
May	74.3	19.0	36.0	39.2
June	75.2	18.2	35.1	38.7
July	71.6	17.5	35.5	38.9
August	73.2	17.8	35.7	38.9
September	73.5	17.7	35.6	38.5
October	73.3	17.5	36.2	38.9
November	71.6	17.1	35.9	38.8
December	67.9	16.2	32.9	35.7
1975				
January	70.2	16.6	35.7	38.7
February	70.6	17.1	36.0	38.3
March	69.9	17.4	34.8	37.7
April	69.4	17.8	35.7	38.4
May	71.0	18.1	35.7	38.5
June	72.2	18.7	34.5	37.4
July	67.3	17.8	34.7	37.3
August	70.4	18.5	35.8	38.0
September	72.0	18.6	36.5	38.8
October	72.8	19.1	36.4	39.2
November	71.9	18.8	35.4	39.1
December	70.1	18.1	34.1	36.0
1976				
January	72.7	18.1	35.4	38.1
February	73.5	17.9	35.9	38.4
March	73.2	17.8	36.0	38.2
April	73.5	17.6	35.4	37.7
May	74.1	17.9	34.0	37.1
June	73.1	17.9	33.6	36.4
July	72.7	17.3	34.3	37.0
August	73.9	17.3	35.6	37.8
September	72.6	16.7	35.7	38.0
October	71.6	16.7	35.6	38.3
November	69.0	15.9	35.1	38.5
December	67.2	15.4	33.9	36.8
1977				
January	69.4 (p)	16.1 (p)	35.4 (p)	38.2 (p)
February	70.3 (p)	15.6 (p)	35.0 (p)	38.5 (p)

Note: This data only includes establishments with 20 or more employees

*Hourly-rated employees only

Source: Statistics Canada, 72-002 monthly
(p) preliminary figures

TABLE B

Average Hourly Earnings, Production Workers
Clothing Industry, Knitting Mills and All Manufacturing

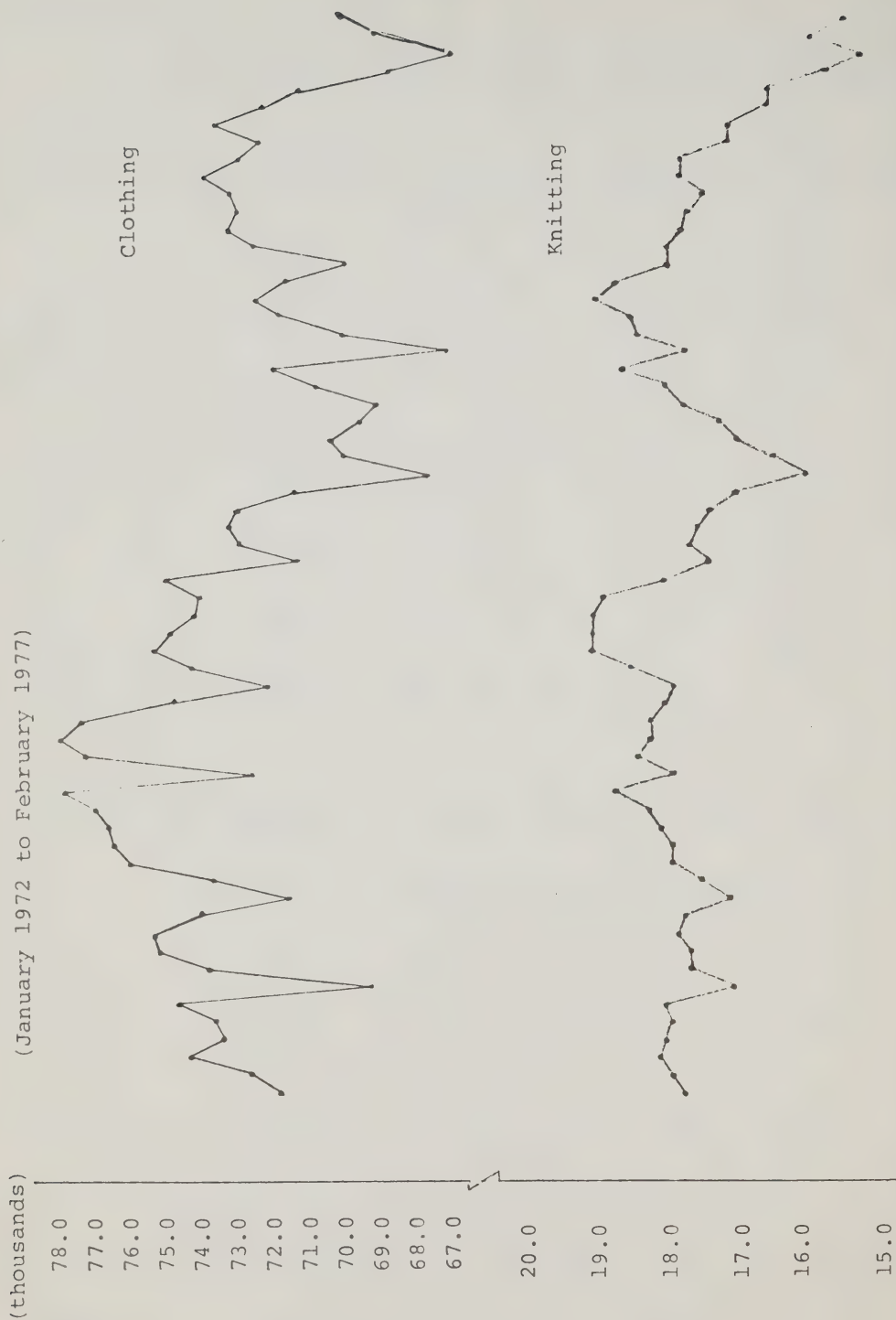
<u>Year</u>	<u>Men's Clothing</u>	<u>Women's Clothing</u>	<u>Children's Clothing</u>	<u>Other Knitting Mills*</u>	<u>All Manufacturing</u>
(Dollars)					
1966	1.47	1.57	1.29	1.37	2.25
1967	1.56	1.69	1.40	1.47	2.40
1968	1.70	1.84	1.52	1.57	2.58
1969	1.84	1.97	1.66	1.71	2.79
1970	1.97	2.10	1.80	1.83	3.01
1971	2.11	2.31	1.93	1.97	3.28
1972	2.30	2.46	2.14	2.14	3.54
1973	2.50	2.65	2.30	2.40	3.85
1974	2.88	2.99	2.63	2.75	4.37
1975	3.37	3.51	3.04	3.22	5.06
October 1976	3.86	4.13	3.64	3.77	5.93

* Knitting Mills other than hosiery (but including knit fabrics)

Sources: ACTWU/ILGWU joint submission, p.17;
 Statistics Canada, #72-002

ALL HOURLY-RATEFD WAGE-EARNERS IN THE CLOTHING INDUSTRY AND KNITTING MILLS
(January 1972 to February 1977)

CHART A



Source: Statistics Canada 72.002 Establishments with 20 or more employees only.

THE SUPPLIER The textile industry and the apparel industry are separate but closely interrelated, and as indicated previously approximately 45 percent of the total Canadian textile production goes into the manufacture of wearing apparel in Canada. Any significant reduction in apparel manufacturing therefore has a direct impact on the level of operations and employment in the textile industry. The effect on the textile industry is normally felt 6 to 8 months after the reduction in apparel manufacturing takes place. Consequently, any study or assessment of the apparel industry must take into account the importance of the textile industry to the Canadian economy. It is for this reason that this section has been included in the Board's report.

The primary textile industry is composed of the cotton industry, the man-made fibre industry, the wool industry, the knitting industry and the carpet industry. The cotton, man-made and wool textile industries produce yarns, fabrics and products for industrial and household purposes. The knitting industry produces knitted fabrics and knitted garments such as hosiery, underwear and sweaters, and the carpet industry produces woven, knitted and tufted carpets and other textile floor covering.

BACKGROUND Since the beginning of the 1950's, the textile industry in Canada has undergone a number of major changes including substantial restructuring, modernization, conversion of production facilities to meet the demand for fabrics of blended yarns, and corporate consolidation. Many of these improvements took place when competition, particularly from low-cost countries, was asserting considerable pressure on the relatively small domestic market. Perhaps the most significant development has been the shift away from natural to

man-made fibres and blends. By 1970, there were more textiles of man-made fibre being produced and consumed in Canada than textiles of natural fibres. With this shift to the use of man-made fibre, the manufacturing processes required more advanced technology and less labour. With the increasing awareness of design and style there was significantly greater pressure on the yarn and fabric producers. Virtually all of the firms which at the beginning of 1960 had processed cotton almost exclusively had changed over by 1970 to the use of large quantities of man-made staple fibres. During this period the wool industry also shifted to the production of fabrics made from yarns of blends of wool and man-made fibres. In addition to the industry's move toward greater use of man-made fibres there was also a shift from woven to knitted fabrics, spurred on by the development of double-knit fabric and its extensive use in men's wear. This trend was attributed to some extent to technological developments which were taking place in the 1960's. These developments greatly increased the speed of the knitting process and, consequently, lowered its cost. However, in recent times the popularity of knitted apparel, particularly in men's wear, has declined. In its place, the demand for apparel made from woven fabrics has increased once again.

With the shift away from natural to man-made fibres, there has developed among the textile producers a substantial interdependence within the sectors of the primary industry. Manufacturers, whose chief raw material in 1960 was natural fibres, now depend on domestic man-made fibre producers for a major part of their raw materials. Any major decline in the domestic production of man-made fibre can create a serious problem in availability and price of important raw material required by the apparel industry. According to the primary industry, the level of penetration of the Canadian apparel market by imports in late 1976 caused Canadian fibre plants to reduce their output to the point where they were falling behind the rest of the world in terms of scale capacity and unit cost efficiency which must be maintained in order to have efficient and competitive fibre plants in Canada. The textile sectors are thus heavily dependent on a healthy apparel industry for survival.

Certain horizontally integrated primary producers, manufacturing fabrics and related products for both the apparel and the industrial or home furnishing market frequently operate these parallel lines on the same site, and share fixed costs. If the production of fabrics for the apparel industry becomes depressed, the overhead burden shifts to lines previously more profitable. The problem created by a depressed apparel fabric output thus affects a company's ability to remain cost competitive on other lines of production.

STRUCTURE AND LOCATION OF THE INDUSTRY The primary industry has a greater concentration of production than the apparel industry. Over 85 percent of the primary industry is located in Quebec and Ontario, with small segments in Nova Scotia, British Columbia and other provinces. Within the primary group there are several large firms whose production accounts for a major portion of the output of specific industry sectors. For example, in the production of cotton yarn, three firms account for 85 percent of yarn production, one firm produces 75 percent of the cotton-polyester blended fabrics, and over 95 percent of the man-made fibres are supplied by 6 firms, with 5 firms producing in excess of 90 percent of the woven man-made fabrics. Three firms provide 75 percent of the Canadian worsted fabric production.

CAPITAL AND REPAIR EXPENDITURES Annual capital and repair expenditures increased at a fairly constant rate from \$60 million in 1961 to \$236 million in 1975. The total for the fifteen-year period was approximately \$2.1 billion with over one-half of this total spent in the period from 1970 to 1975 inclusive.

During the 1960's the textile industry, faced with rapid market and technological changes as well as increased competition from imports, undertook a significant program of capital investment amounting to almost \$1 billion. This was an increase of close to 90 percent over total expenditures on new plant and equipment for the previous decade. Expenditures in the period 1970 to 1975 inclusive were roughly the same as in the preceding ten-year period. The shift to man-made fibre production accounted for the heaviest capital expenditure. This reflected not only growth but also the technological complexity of that sector. The man-made fibre industry is generally regarded as being closer to its chemical industry derivation than to textiles and is a capital-intensive industry. New capital expenditures are estimated to be above \$200,000 per production worker for the man-made fibre producers.

The adverse influence recently caused by rapidly accelerating garment imports has intensified the competition faced by the primary textile industry in its most important market, the clothing manufacturing industry. This situation has not deterred the industry from continuing to make record investments on modernization of plant facilities, a necessity in today's world-wide competitive situation. Expenditures in 1974 were \$242 million, the highest in any year to date and in 1975, \$236 million. The man-made sector continued far in the lead, accounting for nearly half of the total for the industry in the last 3 years.

The industry has publicly stated that it has been encouraged by a series of recent government actions, including restraining

of imports of apparel and double-knit fabrics. For example, Du Pont of Canada Ltd. has resumed construction of its \$55 million plant at Côteau-du-Lac, Québec, which is now scheduled to begin production in 1978 and will employ 325 persons.

OWNERSHIP It has been estimated that about 65 percent of the capital invested in the primary industry is controlled in Canada, compared to about 45 percent in manufacturing generally. The foreign control that does exist is concentrated mainly in the man-made fibre sector where all of the Canadian producers' parent companies are located in the United States, the United Kingdom or Japan. For the most part, these multi-national companies are major world chemical concerns.

TECHNOLOGY The primary textile industry is considered to be as technologically efficient and productive as any other primary textile industry in the world. The shift from natural fibres to man-made fibres and blends has been accompanied by notable technological advances.

The fibre-to-yarn stage has been characterized by a reduction in the number of necessary operations, the introduction of automatic transfer procedures and a tremendous increase in the output from new machinery. Various processes of open-end spinning at higher speeds are now being used. In the yarn-to-fabric stage, increased productivity has resulted from the introduction of new kinds of weaving and knitting machinery. The shuttleless loom is now an important type of loom used in Canada, with a consequent increase in speed. In the finishing stage, the results of research and development are very apparent to the consumer. Finishing techniques can give a fabric many qualities which it does not originally possess, including resistance to shrinkage, creasing, moths, flames, odours and stains. More and more of the finishing of the fabric is carried out by the continuous process method.

Research and development activity in the primary textile industry is largely concentrated within the major man-made fibre producers. As subsidiaries of large foreign-based firms, they rely heavily on the basic technological support of the parent companies. However, they do maintain relatively extensive facilities where a substantial amount of research and development is carried out for the Canadian market. They also provide elaborate technical services to assist Canadian fabric and apparel manufacturers in making optimum use of their products.

In addition, there are licencing arrangements to exploit new technology or to maintain a regular exchange of technical

information with American, European or Japanese firms and research institutions. Considerable benefits are derived from such arrangements, generally enabling the Canadian industry to keep in step with the advances in the industries of other developed countries.

EMPLOYMENT The following shows total direct employment in the primary industry at varying periods over the past fifteen years.

1961	87,660	1973	102,742
1966	100,857	1974	101,187
1971	93,269	1975	97,913 ¹⁾
1972	98,974	1976	90,000 ¹⁾

1) Estimated

Source: Canadian Textiles Institute

These figures include employment in sectors of the textile industry which are not suppliers to the apparel industry. Employment in those sectors such as carpet, cotton and jute bags would amount to approximately 30 percent of total employment in 1976.

Fluctuations over the fifteen-year period can be accounted for by market growth in the early 1960's, followed by a decline in the late 1960's which has been attributed to increased productivity as well as imports. There was further growth leading up to 1973 when employment peaked at 102,742, followed by a steady decline to 90,000 in 1976, which has been attributed to the increase in imports including those of apparel.

During the recent Board hearings, the spokesmen for the textile industry pointed out that the textile and clothing industries are the second largest employers of manufacturing labour in Canada. In many cases the primary industry, because of its location, is the sole or major employer in a number of small towns, particularly in Quebec and Ontario.

The employment 'multiplier' for the primary textile industry is 2.9, which, when applied to the direct employment for 1976 as shown in the above summary, would result in total employment generated by the textile industry in that year of 261,000.

Employment in the primary textile industry includes a wide range of skills from highly-qualified technical people to a substantial number with a relatively low skill level and little or no mobility.

Average weekly earnings for salaried and hourly paid employees in the textile industry amounted to \$198.21 in 1976, a 45 percent increase in four years. The average hourly rate of pay for all sectors of the textile industry for the year 1976 stood at \$4.49, compared to \$5.76 for all manufacturing. The wage rates for the textile industry, including fringe benefits, are said to be about 20 percent higher than for the textile industry in the United States.

THE MARKET The primary textile industry's most important single market is the domestic apparel sector which consumes about 210 million pounds of Canadian produced textiles each year. In addition, the industry produces consumer goods which are sold without further processing. As well, vast yardages are sold to industrial and other converting industries for manufacture into finished goods such as upholstery, automotive fabric, drapery material, papermakers' felts and cordage.

The following summary showing the Canadian consumption of all kinds of textiles demonstrates the less than satisfactory growth of Canadian production compared with the dramatic increase in imports. Imports and consumption include apparel as well as textile products.

Canadian Imports and Consumption (Millions of Pounds)

<u>Year</u>	<u>Production less Exports</u>	<u>Imports</u>	<u>Consumption</u>	<u>Production as Percentage of Consumption</u>
1965	396	228	624	63
1975	460	544	1,004	46
Increase (Decrease)	64	316	380	(17)
Percentage Increase	16.2	138.6	60.9	

Source: Canadian Textiles Institute

Of the total loss of 17 percent of the Canadian market in the eleven-year period, 9 percent occurred prior to the implementation of the Textile Policy in 1970, and 8 percent in the six years since then. It is significant that although Canadian consumption increased by 60.9 percent in the eleven-year period, Canadian production of textiles for the domestic market increased by only 16.2 percent, or 64 million pounds. The major part of the increased consumption was supplied from imports which jumped 138.6 percent, or 316 million pounds.

IMPORTS Imports have traditionally been an important element in the Canadian market for primary textiles. Canadian producers have been faced with competition from developed countries such as the United States and from the low-cost countries and state-trading nations. For the most part, the Canadian tariffs were sufficient to protect the domestic industry against undue competition from the developed countries. From time to time problems arose, often due to over-production in developed countries, resulting in exports to Canada at prices which were so depressed that they were often less than the full cost of manufacturing. These problems were solved in time either by Canadian anti-dumping action or by adjustment in the foreign market.

Imports from the United States and the E.E.C. have, in general, continued to grow at a rate approximately commensurate with the rate of growth of the Canadian market. A portion of these imports are directly competitive with Canadian production, being in the strong demand fashion or staple lines, and these are imported on the basis of such factors as market acceptance as well as price. By the late 1960's, low-cost import penetration into the Canadian market caused a noticeable decline in the share of imports held by the developed countries.

Low-cost countries whose exports were confined originally to the standard types of products shifted more toward the production of higher-quality yarn and fabrics which they exported to Canada. This was facilitated in part through mobility of capital and the ease of transfer of technology. As a result of these developments they are now able to compete effectively over a broad range of domestic output.

As to competition from state-trading countries, where prices of exports may bear little relationship to manufacturing costs, most industry sectors are potentially vulnerable. Several of the East Bloc countries have well developed technologically advanced industries, which are capable of supplying the Canadian market with a wide variety of products.

EXPORTS Exports by the textile industry increased from \$151 million in 1970, to a peak of \$278 million in 1974, and then fell off in 1975 to \$217 million. It is interesting to note that these sales abroad were made to almost one hundred countries. In some instances, these sales were price-competitive with the importing country's domestic industry, or were due to fashion innovation. The protective policies pursued by Canada's major trading partners in the field of textiles have tended to discourage the Canadian industry to expand export trade to significant levels.

PROTECTION AFFORDED THE INDUSTRY Like the apparel industry, the tariff protection afforded the industry has been higher than for other sectors of Canadian manufacturing. To some extent, this is a reflection of the importance attached to the establishing of this industry in the early stages of Canada's industrial development.

While the industry has been afforded a higher degree of protection, in comparison with other Canadian manufacturing industries, Canada's most-favoured-nation tariff averages are lower than the U.S.A. averages for yarns and fabrics. The following table is intended to illustrate the differences in M.F.N. tariff treatment accorded specific textiles by Canada and the United States.

M.F.N. Tariff Averages - Textiles (Percent)

<u>Product</u>	<u>Canadian Average Tariff</u>	<u>United States Average Tariff</u>
Yarns		
Cotton	11.6	13.9
Man-made	8.2	24.4
Wool	13.6	15.5
Fabrics		
Cotton	13.1	18.8
Man-made	14.1	24.4
Wool	22.1	39.9
Other Fabrics	19.0	16.8
Including knitted fabrics of all fibres		

Source: the GATT

The protection provided by the present rates of duty in the case of most textiles are considered adequate to offset whatever cost disadvantages the industry may have vis-a-vis the developed countries, such as the United States and the E.E.C. However, an industry spokesman indicated that this protection is less effective now because of the higher Canadian labour costs which are said to be running about 20 percent above the United States' labour costs.

In the case of the low-cost and state-trading countries, the industry believes that the present tariff structure is inadequate by itself to offset export penetration by these countries.

It is stated that rates of duty required to accord an adequate measure of protection against low-cost imports of textiles would have to be considerably higher than those currently in effect. For example, the protection afforded the industry is higher than for most manufacturing industries in Canada, but the primary sector has never supplied more than about 75 percent of the Canadian post-war market and currently holds only 46 percent.

CONCERNS OF THE INDUSTRY As indicated earlier, the apparel manufacturers represent the single most important market for the primary industry. In this regard, the industry has expressed grave concern over the problems of the apparel industry, and a spokesman for the primary group stated before the Board, at its public hearings in Montreal:

Problems created by heavy import volumes of apparel are compounded in the textile industry. There is a direct and critically important linkage between our two industries.

The dramatic increase in imports of apparel has, according to the spokesman for the industry, caused a temporary and in some cases permanent closing down of a number of production facilities, resulting in a significant increase in unemployment. He reported that the primary producers were also having to cut back their production and lay off large numbers of workers.

In order to assess the impact of apparel imports on the primary industry, a study was undertaken by CTI to convert units of apparel imports into pounds of fibre. This review, according to the industry spokesman, reveals that the textile equivalent of apparel imports from low-cost producers amounted to 82 million pounds in the first half of 1976, representing a 64 percent increase over the similar period of 1975. This increase was then equated to the production facilities needed to produce this quantity. He stated:

The amount of Canadian production facilities required to produce just this increase in imports would be equivalent to one modern fibre plant such as the new facility at Côteau-du-Lac, Québec, at a capital cost of \$55 million, the output of some seven integrated spinning and weaving plants and the output of one and one-half large finishing plants.

The total apparent consumption of these products has risen by 60.9 percent in the period 1965-75 but gross domestic production

has increased by 10.5 percent, exports have decreased by 21 percent, leaving a net increase in the Canadian market of 16.5 percent. On the other hand, imports have increased by 138.6 percent in this period and have increased their share of the market from 37 percent in 1965 to 54 percent in 1975.

Turning to the investment climate, the industry indicated that the implementation of the Textile Policy by the government in 1970 has failed to restore an investment climate for the producers which would reduce the uncertainty created by the present environment and permit them to obtain a reasonable share of the domestic market. It was also indicated that even with a modern, technologically efficient industry, the primary sector is still losing ground to imports, and since the introduction in 1970 of the Textile Policy, the share of the Canadian market supplied by domestic production had declined by the end of 1975 to 46 percent of the total.

In summary, the industry believes that to overcome the unduly high degree of uncertainty which exists in the market, the government must extend the measures imposed on imports of apparel in November 1976, for a reasonable period, say three to five years, in order to provide a basis for long-term planning, particularly with regard to capital investment. As in the case of the apparel industry, the time frame for planning, acquisition and installation of the machinery and equipment in an existing plant normally runs from one to three years, and for major projects involving new building construction, the time frame can easily run to four or five years.

CHAPTER SUMMARY

- 1 The textile industry in Canada is considered as technologically efficient and productive as any other primary textile industry in the world.
- 2 Direct employment in the industry has been of the order of 100,000 persons over the past fifteen years but has declined since 1973 to 90,000 in 1976.
- 3 Many of the textile (and apparel) manufacturing establishments, particularly in Quebec, are in areas of high unemployment.
- 4 Capital and repair expenditures have increased at a fairly constant rate from \$60 million in 1961 to a peak of \$242 million in 1974. While expenditures were marginally lower in 1975, the total spent during the 1970's was in excess of \$1 billion.
- 5 Steadily increasing imports of apparel coupled with increases in fabric imports have prevented any worthwhile growth of Canadian fabric production.
- 6 The Canadian apparel industry consumes approximately 45 percent of the output of the textile industry. This points up the vulnerability of the textile industry and its dependence on the continuance of the apparel industry. Any significant and permanent reduction in the level of operations in the Canadian apparel industry will have a crippling effect on the textile industry.
- 7 The Canadian consumption of textiles and apparel has risen by some 60 percent over the past eleven years but this increased demand has been satisfied mostly from imports which recorded a 138.6 percent increase during that period.

In the previous section on the primary textile industry, it was clearly shown that the primary sector is heavily dependent on a healthy clothing or apparel industry for its existence. Similarly, the Canadian clothing industry relies heavily on its customer, the retailer, to obtain a major share of that market in order to maintain a viable industry.

In this regard, it has been estimated that there are in excess of 150,000 retail outlets in Canada whose sales of wearing apparel have, since 1968, more than doubled, rising from \$2.7 billion in 1968 to \$5.7 billion in 1976. The two largest groups which sell apparel are the apparel and accessories group of retailers and the department stores. Other retail outlets engaged in selling apparel include general merchandise stores, general stores and variety stores.

Based on Statistics Canada data for the years 1968 and 1976, the following is a comparison of total apparel sales and of apparel sales by the groups mentioned above:

<u>Sales of Clothing</u>	<u>1968 \$'000</u>	<u>Percent of total sales</u>	<u>1976 \$'000</u>	<u>Percent of total sales</u>	<u>Percent Increase 1976 over 1968</u>
Apparel and Accessories group	1,281,515	48	2,594,900	46	102
Department Stores	739,511	27	1,946,917	34	163
Other retail outlets	<u>672,181</u>	<u>25</u>	<u>1,130,504</u>	<u>20</u>	<u>68</u>
Total sales	2,693,207	100	5,672,321*	100	111

*estimated.

Source: Statistics Canada

As shown from this table, the apparel and accessories group decreased its share of the total apparel market from 48 percent in 1968 to 46 percent in 1976, while its sales increased by 102 percent.

The prominence of the department stores, including the large chain stores, rose significantly during this period. Overall sales increased by 163 percent while their share of total apparel sales rose from 27 percent to 34 percent. As for other retail outlets their share of apparel sales declined from 25 percent to 20 percent during the same period.

Until the mid-1960's imports of clothing originated primarily from the United States and other developed countries. However, by the latter part of the 60's, imports from low-cost countries had registered a sizeable increase and were accounting for approximately 63 percent of total imports.

With this large increase in low-cost imports, the problem facing the domestic manufacturers in competing for sales to the retailer changed. In the case of the developed countries, a portion of imports from these countries complemented Canadian production of clothing and were not confined entirely to imports directly competing with domestic clothing. On the other hand, imports of clothing originating from the low-cost countries competed directly with Canadian manufacturers over a broad range of apparel already made in Canada in substantial volume.

In the first instance, low-cost imports originated mainly in Japan but in a relatively short time, a number of other Asiatic countries such as Hong Kong, Taiwan and the Republic of Korea emerged as important suppliers of apparel to Canada, outstripping Japan in this field. With their fully developed, efficient clothing industries coupled with relatively low wages, they were able to attract many retailers and presented a serious threat to the Canadian clothing industry in dealing with its major domestic customers. By 1975, low-cost Asiatic producers had been able to capture 69 percent of the import share of the Canadian apparel market and in 1976 their share increased to 75 percent of total imports. These figures relate to garments under current review by the Board.

In commenting on the retailers' buying practices, an apparel manufacturing spokesman stated:

Canadian retail buying power is highly concentrated in the major department store chains. Shifts in their buying patterns can seriously affect manufacturers who are dependent on them. Their ability to

place large orders with foreign sources leads to great uncertainty in the market place.

In this connection, the domination of Canadian retailing by a small number of large department store chains has a substantial influence on the apparel market. As shown earlier in this chapter, their sales have risen in the past 8 years by 164 percent and they now supply 34 percent of the retail market. This fact does tend to confirm the statement made by many apparel manufacturers in Canada that, unless they can sell to at least one of the 'majors' each season, they're in serious difficulties. It also indicates that the major retailers are in a strong position to negotiate terms and conditions with domestic manufacturers. Consequently, Canadian manufacturers try to avoid too much dependence on a single customer and endeavour to spread their sales over a large number of customers. Sales made to a sufficiently large number of small retailers will not only enable a manufacturer to achieve good production runs, but will also have the added benefit of making the manufacturer less reliant on the whims of one major customer.

The Board sent questionnaires through the Retail Council of Canada to 179 of the larger retailers in Canada to obtain a broad range of information including their reasons for handling imported merchandise. Replies were received from 51 retailers. While small in number they represented about 50 percent of the sales of clothing in Canada. Their reasons given for importing items of clothing were primarily as follows:

- | | |
|-------------------|---------------------------|
| 1 Customer demand | 5 Not available in Canada |
| 2 Style | 6 Women's fashions |
| 3 Price | 7 Delivery |
| 4 Quality | |

There was no real consistency among reporting retailers as to the priority to be assigned to the above reasons for importing, although there was some linking of style, price, quality and customer demand, which perhaps is indicative of the interrelationship of these factors to each other.

In Chapter X the matter of price increases for clothing has been dealt with in some detail. From the information reviewed, the Board noted that for the period from October, 1976 to March, 1977, during which time the emergency measures were implemented, price increases for wearing apparel in Canada amounted to 2.7 percent whereas for all items the increase was 3.5 percent.

Turning to mark-ups, much information of a very broad nature

was received by the Board from interested parties. From this information it was possible only to make general comparisons of the significance of mark-ups between imports and comparable Canadian goods. The percentage mark-ups levied on Canadian products, based on the selling price, were said to range from a low of 40 percent to a high of 55 percent, with most respondents indicating mark-ups in the area of 45 to 50 percent. The mark-ups submitted on imports ranged from as low as 45 percent to a high of 70 percent. As a percentage of cost to the retailer these mark-ups on Canadian goods would range from about 65 to 120 percent, and on imports would range from about 80 to 230 percent.

The general consensus among apparel manufacturers has been that imported goods are usually priced at just below the domestic price for comparable Canadian-made apparel.

Information received from smaller retailers was sparse and incomplete. It is believed, however, that most of the smaller independent retailers confine more of their merchandise offerings to goods purchased entirely in Canada than do the major retailers; some of the apparel purchased in Canada by smaller retailers is foreign merchandise brought in by traditional importers. Buying trips abroad are expensive and time consuming and, in the case of the Far East at least, require that the retailer be able to place large volume orders with foreign manufacturers. Furthermore, in many cases, these orders must be placed months in advance of the season, with irrevocable financial commitments as well. Consequently small retailers are more inclined to buy from traditional importers.

The Board has received a number of representations from another group of retailers, namely, the high fashion and boutique stores, which are in somewhat of a unique position. They are primarily or totally oriented towards imports. Exclusivity, or the search for something different, has led most of these stores to offer imported goods. Many appear to have started off by offering imported apparel which they have purchased from traditional importers in Canada, and gradually have made their own buying trips abroad.

While it has been suggested by the high fashion retailers that imports tend to satisfy the search for uniqueness, it must not be overlooked that Canadian apparel manufacturers have demonstrated an ability to provide designs and styles of wearing apparel at competitive prices which have appeal not only to Canadian consumers, but increasingly as well to many consumers abroad.

VIEWS AND CONCERNS OF THE RETAILERS The Retail Council of Canada claims to have within its membership retailers who account for over 60 percent of Canada's total retail store volume. The combined experience of these retailers is therefore considerable when it comes to assessing the strengths and weaknesses of the domestic apparel industry.

In its brief to the Board, the position taken by the Retail Council towards imports was to strike

the best balance between providing necessary assistance to the hard-pressed domestic textile industry while at the same time giving full consideration to the needs of Canada's consumers, particularly those in the lower income brackets...

It further stated

Retailers are in the business of selling merchandise and satisfying customers. Considering only their profitability, the origin of their merchandise matters little. They do, however, have an interest in seeing a substantial and successful textile industry maintained in Canada, not least because viable employment alternatives for the 200,000 Canadians earning their livelihood from the industry are not readily discernible.

In essence, the concern of the Retail Council is continuing access to merchandise at prices which in practice will probably be below those at which the same or similar merchandise can be purchased in Canada.

The Retail Council felt that protection should be selective and temporary and,

that the problems of the Canadian Textile Trade would not be solved solely by regulation of the intensity of foreign competition.

It was of the opinion,

that more permanent and more productive results are available from the bringing about of a highly productive and efficient trade.

The Retail Council stressed the need for "an overall strategic

plan". It outlined in broad terms how the plan should be developed. For example, it would include such things as - determining market demand for each product line; determining domestic supply; establishing levels of protection by sector; phasing out the production of products which cannot be economically manufactured in Canada and attempting to develop more export markets. Since the conclusion of the Board's hearings a series of meetings have been held between the Retail Council of Canada, the manufacturers, the importers, the labour unions and the Canadian Textiles Institute, leading towards resolving many of the problems currently involving the apparel industry. A considerable measure of success has been accomplished as evidenced by the memorandum of agreement signed by the various parties. It would appear that the strategic plan envisaged by the Retail Council in its brief has to a considerable extent been incorporated in the memorandum of agreement.

The 'high fashion' and 'boutique' retailers are also concerned about the effect of any continued system of global restraints on their operations. While their primary function is that of retailing, they are heavily dependent on easy access to imports, since many of these stores have developed and nurtured the 'imported merchandise' theme of their businesses. Their reputation has been built upon, and their clientele has been attracted by the promotion of the uniqueness, exclusivity, style, quality, fashionability, etc., which have been claimed for imported garments. It is claimed that their consumers prefer, for a variety of reasons, to wear imported clothing.

They contend, therefore, that their continued existence depends upon being able to import their merchandise from abroad.

The Canadian High Fashion Retailers' Association, which was formed to represent the high fashion stores, contends that the international mobility of the sophisticated consumer is such that to curtail imports of high fashion garments would do little to change her/his buying habits. Consequently, there would be no increased demand for Canadian made clothing.

The Association also stated that its members, shops or boutiques range from exclusive one-country or one specific designer stores to a collection of boutiques or departments under one roof. The percentage of imports varies with the nature of the shop but all shops vend predominantly Developed Country High Fashion Imports. Therefore, the business success of many 'high fashion' entrepreneurs is also founded mainly, or exclusively, on imports, whether these goods are imported directly by these retailers, or purchased from traditional

importers in Canada.

The concern of the high fashion retailers therefore, is over access to the kinds of merchandise which have traditionally been associated with their stores. This concern is also expressed by many of the large retail department stores which operate high fashion boutiques as separate departments in their stores.

The retailers, like the manufacturers and the importers, have asked for more certainty with regard to import regulations so that long-term planning can be carried out. The Retail Council had pointed out that importers face financial losses on any binding obligations when quotas are hastily imposed. The Council did not specify a time-frame which would best suit the operations of its members but in the agreement reached between the retailers and the other principal parties in the industry, a five-year term has been suggested.

MAJOR RECOMMENDATIONS TO THE BOARD The Retail Council of Canada made an important recommendation which calls for the development of an overall strategic plan. This recommendation has several facets and was dealt with in the preceding pages of this chapter; as indicated earlier, it has to a considerable extent been incorporated in the memorandum of agreement signed by the various interested parties. The Canadian High Fashion Retailers' Association made the following recommendations:

- 1 All high fashion and specialty apparel from the developed countries of Ireland, United Kingdom, Western Europe, Israel and the United States be removed from the Import Control List.
- 2 In accordance with Section 3 of Article XII of the Arrangement Regarding International Trade in Textiles, handloom fabrics of the cottage industry, or hand-made cottage industry products made of such handloom fabrics, or traditional folklore handicraft textile products, should be exempted from tariff and quota restrictions.
- 3 Any quota regime should take into account the ability of major importers and competitors of the high fashion and specialty retailers to unfairly manipulate quotas to the detriment of the members of our Association, contrary to traditional fairness in the market place and the prohibitive cost to the small business entrepreneur.

- 4 Any future regulatory regime should provide ample notice to High Fashion business sectors, so detrimentally affected, to avoid future unfair dislocation in the market place.

CHAPTER SUMMARY

- 1 Estimates place the number of retail outlets in Canada in excess of 150,000 whose sales of clothing have, since 1968, more than doubled from \$2.7 billion to \$5.7 billion in 1976. Apparel sales by department and chain stores have increased over the past eight years by 164 percent to \$1.9 billion, representing 34 percent of the market. This heavy concentration of buying power can have a major impact on the clothing manufacturers through shifts in retail buying patterns and policies.
- 2 Major retailers, responding to a Board questionnaire, listed a number of reasons for importing clothing, of which the most important were style, price, quality and customer demand.
- 3 The mark-up taken by retailers on imported clothing is higher than on Canadian-made goods.
- 4 The high fashion retailers depend almost entirely on imported apparel, most of which originates in the developed countries of the western world.
- 5 The Retail Council of Canada stressed the need for 'an overall strategic plan' which it outlined in broad terms. To a large extent it has been incorporated into the agreement between the various industry parties, a copy of which is included as Appendix 9.

Importers of apparel into Canada can be classified into three broad categories: traditional importers, retailers and manufacturers.

Traditional importers are those who mainly or exclusively import, warehouse and sell clothing directly to the retailer. The majority of the traditional importers are members of the Canadian Textile Importers' Association. Some goods are purchased and imported against specific orders from a retail establishment but substantial quantities are also purchased, imported and held in storage against anticipated sales.

The retailers who import apparel directly from foreign countries range from the major department and chain stores to small retailers who may operate one or a few relatively small stores. The high fashion retailers are said to be primarily family owned 'classic' small businesses that specialize in high fashion imported apparel. It is estimated that there are less than 100 such stores in Canada, including high fashion boutiques within major department stores.

A number of Canadian apparel manufacturers have entered the import field in recent years for a variety of reasons. Some of the reasons presented to the Board included:

Inability to manufacture some of their lines at a cost competitive with low cost imports. In order to provide their customers with a full line on an economic basis, they were forced to import to fill out their line.

To test the market for particular lines of apparel, including international brand names, preparatory to establishing manufacturing facilities in Canada. If

and when the market was proven, production was or would be commenced in Canada to replace the relative imports.

To complement Canadian production in the same lines or in 'co-ordinated' apparel. Some manufacturers have used this method with considerable success in combining a relatively small percentage of imported garments to 'match' their Canadian produced garments as a marketing strategy. The success of some of these programs has resulted in substantially increased Canadian production.

SOURCE AND VOLUME OF IMPORTS The following is a summary of imports in recent years of the specific apparel items under review:

Year	Hong Kong	Taiwan	Rep. of Korea	People's Rep. of China	Sub Total	All Others	Total	Percent Change
(Millions of Units)								
1970	29.4	18.4	6.1	4.4	58.3	42.9	101.2	
1971	31.3	31.3	8.0	5.9	76.5	46.0	122.5	21.0
1972	36.1	48.2	18.0	14.9	117.2	57.8	175.0	42.9
1973	26.1	47.7	27.4	14.2	115.4	53.1	168.5	- 3.7
1974	24.6	38.4	27.7	11.5	102.2	64.3	166.5	- 1.2
1975	34.8	50.6	30.2	12.1	127.7	57.7	185.4	11.4
1976	55.0	74.4	45.8	27.1	202.3	69.0	271.3	46.3

Source: Statistics Canada, Catalogue No. 65-007

The percentage increases in imports in 1976 over 1975 based on the above figures for selected countries are as follows:

Hong Kong	58%
Taiwan	47%
Korea, Republic of	52%
China, People's Republic of	124%
Total 4 Countries	58%

From 1970 to 1976, total imports have grown 168 percent. While Hong Kong, Taiwan, the Republic of Korea and the People's Republic of China have been important suppliers of clothing to the Canadian market since the early 60's, the predominancy of their position today is evident - in 1976, imports from these suppliers accounted for 75 percent of clothing imports from all sources. These suppliers have developed their clothing industries to the point where they are able to satisfy the demands of importers from all over the world for fashionable, quality clothing at low prices. According to the statistics released by the Textiles Committee of the GATT, Hong Kong and the Republic of Korea are by far the leading exporters of clothing among the 'Developing Members' of the ITA. Together these two suppliers account for 79 percent of imports of clothing by 'Developed Members' on a value basis.

To assess the importance of each of these groups in relation to the total quantity of clothing imported into Canada, information regarding 1976 imports was obtained from a special analysis undertaken by Statistics Canada. This analysis covered all companies which imported over 95,000 units of apparel in that year. The import performance for the same companies in 1975 was then obtained from applications they had made to the Department of Industry, Trade and Commerce for 1977 import licences. In a few instances, companies which imported in 1976 did not import in 1975 resulting in a slightly higher number in 1976: 206 compared with 190 in 1975. Imports by the three categories of importers are summarized below:

	<u>No. of Compan- ies</u>	<u>1975</u>		<u>No. of Compan- ies</u>	<u>1976</u>	
		Millions of			Millions of	
		<u>Units Imported</u>			<u>Units Imported</u>	
		<u>Num- ber</u>	<u>% of Total</u>		<u>Num- ber</u>	<u>% of Total</u>
Traditional Importers	104	105.3	64.9	111	123.3	64.1
Retailers	27	26.1	16.1	28	33.3	17.3
Manufacturers	<u>59</u>	<u>30.8</u>	<u>19.0</u>	<u>67</u>	<u>35.8</u>	<u>18.6</u>
Total	190	162.2	100.0	206	192.2	100.0

One hundred and ninety companies imported 162.2 million units of apparel in 1975, representing 87.5 percent of total imports in that year. In 1976, 206 companies imported 192.4 million units representing 70.9 percent of total imports in that year. It is significant that in the companies sampled as shown in the above summary, the share of imports by each of the three

classes showed little change from one year to the other, with the traditional importers and manufacturers showing marginal decreases on a percentage basis in 1976 with a corresponding increase by the retailers.

IMPORTING PRACTICES Canadian importers generally purchase clothing in the Orient twice a year. In October and November of 1976, for example, importers proceeded to the Orient to place orders for clothing for the 1977 Fall and Winter seasons. In April and May of 1977, they went overseas to purchase clothing for the 1978 Spring and Summer seasons. Contracts normally have to be accompanied by irrevocable Letters of Credit (L.C.) which essentially means that once the exporter has satisfied the terms of the L.C., the goods are shipped, and the bank pays the exporter accordingly.

In most cases the exporter in the Orient is not a style leader or innovator. He is a copier of garments appearing in fashion magazines and, for the most part, of samples which are brought to him by importers. The exporters in these countries do not have large international sales forces; the customers go to them. Their sales risks are minimized through the use of Letters of Credit and their export programs, including their selling prices, are subsidized by their governments.

Although imports are concentrated in low to medium price categories, Canadians import clothing in all price and quality ranges. In addition to the market for low-priced imported clothing, there are important markets in Canada for:

specialty apparel articles where due to the small market it is not economically feasible to manufacture in Canada; ethnic apparel sought after by ethnic groups and where manufacture is confined to the 'homeland'; high fashion and foreign label merchandise originating primarily in Western Europe and the United States. This business has been actively promoted by retailers both through independent boutiques dealing exclusively in imported high priced merchandise and by the major department stores operating boutiques as a department of their retail stores.

The Retail Council of Canada, in a submission to the Board, gave the following reasons for importing:

Canadian retailers look to a foreign source if one or more of the following considerations apply:

- (a) Non-competitiveness in price or quality of Canadian merchandise

- (b) Limited Canadian manufacturing capacity
- (c) Uncertainty as to Canadian delivery times
- (d) Limited or no selection of domestic production in style or price ranges

The most common reasons are, of course, the price/quality relationship, and the need for variety to meet the sophisticated and discerning needs of the Canadian style and value-conscious customer.

It has been stressed that there is a high degree of sophistication in the Canadian consumer market, and this, coupled with the relatively small population of Canada and consequently the small scale of production, has led to increased pressure to import. It is claimed that Canadian retailers face competitive pressures to buy as well as they can, whatever the source of the merchandise. Some retailers maintain that reductions in the supply of low-priced imports could lead to reduced sales at the consumer level and possibly to a decrease in their overall volume.

The trend to international high fashion has accelerated and boutiques in the major cities in Canada have increased in direct relation to the more sophisticated international tastes of the Canadian consumer. The following statement by the Canadian High Fashion Retailers Association appeared in the Association's brief to the Board:

IMPORTANCE OF FOREIGN LABELS

Labels are guides and act as magnets for our sophisticated clientele to recognize the design name and fabric familiar with their fashion media. Labels act as guides as to the quality, fabric and origin of the High Fashion. Our customers are traumatized by the foreign label which has become synonymous with quality, originality, style, elegance and timeliness. Our customer buys not only our services but the 'exclusivity' and quality of goods based on the label syndrome. The foreign label syndrome acts as a barrier to the Canadian manufacturer.

It was suggested by others that many Canadian consumers are so impressed with a foreign label that they will forego superior quality Canadian made apparel at a lower price in order to acquire the foreign label article. This situation was dealt with by the labour unions who felt quite strongly that Canadian manufacturers, and consequently Canadian workers, were being deprived of production of a significant volume of apparel. It seems clear that the terms 'haute couture', 'high fashion' and 'high price' are not synonymous. According to the Canadian High Fashion Retailers' Association, 'haute couture' in Paris serves approximately an international aggregate market of no more than 1,200 and probably closer to 600 women in the world who are consistent consumers. It seems that so-called 'high fashion' is being confused with 'high price' since substantial quantities of foreign label apparel made for recognized houses are not being manufactured in the country of the designer, but rather are mass-produced in other countries, including the Far East.

CONCERNS AND RECOMMENDATIONS OF IMPORTERS The following views are essentially those of traditional importers who occupy the predominant position in the Canadian importing community. By and large, importers intimate that they are prepared to live with limitations on clothing imports in those cases where such action is warranted. However, they ask for a clear and concise import policy so that they may 'know the rules of the game they are playing'. Importers must forecast or anticipate styles and colours months in advance of the selling season, and, as was indicated earlier, have to make irrevocable financial commitments. In some instances, the orders they place are in response to firm sales commitments in Canada, but for the most part orders are placed in anticipation of sales to Canadian retailers. In these cases, stocks are required to be held in warehouse until sold and delivered, so that the traditional importer carries a considerable financial risk. Importers have made the point that decisions by government which have the effect of retroactively increasing the values for duty of imported clothing, or rolling back the levels of imports, create uncertainty and financial hardship and, in some instances, shortages of merchandise.

Importers are of the view that in those cases where it is deemed necessary to limit imports the control should be administered in Canada rather than in the exporting country. Arrangements designed to limit the quantity of clothing imported into Canada which are administered by the exporting country are reported to have resulted in windfall profits for exporters, and conversely, additional expenses for Canadian importers, retailers and consumers. It is understood that

following the negotiation of a so-called 'export restraint arrangement' the exporting country allocates the quota among its exporters. The quota, of course, becomes a commodity in demand and quickly has a price attached to it. Thus, in addition to the regular price of the goods, the importer must pay a quota charge which, of course, is passed on to the retailer and consumer. Quotas are bought and sold in many low-cost garment exporting countries. The most recent Canadian experience related to the Board in this respect involved ski wear where the quota charge in the Republic of Korea is reported to have ranged from 22 to 26 percent of the importer's cost.

In the case of quotas administered and controlled by Canada, importers contend that they can avoid quota brokering. In such situations the importer would receive his import permit and be free to purchase his goods in the country of export from the manufacturer who is offering the best price. Nevertheless, subsequent to the announcement of the global quota on November 29, 1976, there were many advertisements offering to sell or buy quota. To date, however, there is no evidence that quota is actually being bought and sold, but goods are probably being imported by one merchant on behalf of another and sold to the latter in Canada. This is a traditional practice among importers.

While there is no data available on the cost to Canadians of quota brokering in either the exporting or importing countries, there is some information on the cost of quota brokering in exporting countries as a result of restraint agreements concluded by the United States. The Comptroller General of the United States, in his March 21, 1974 report on the Economic and Foreign Policy Effects on Voluntary Restraint Agreements on Textile and Steel, estimated that in 1972 United States importers paid \$92 to \$105 million for quotas to foreign quota holders.

Regarding the global quota on clothing which was announced on November 29, 1976, importers expressed their serious concern over the roll back in the 1976 level of imports and the likelihood that such action will lead to significant shortages in some garment categories. They also pointed out that in addition to having their entitlement reduced to 90 percent of their 1975 performance, the entitlement would be for a 13 month period rather than 12 months. While concern was also expressed regarding the lack of flexibility in the utilization of quotas, importers welcomed two aspects of the global quota announced on November 29, 1976 - the control of the quota remaining in Canada with permits issued to importers, and the right to use the permits to import from any source.

In their recommendations to the Board, the traditional importers maintained that controls should be limited to those products where manufacturers can clearly demonstrate injury. It was their view that quota control should remain in Canada and that interchangeability should be allowed between apparel categories to respond to market conditions. An annual growth factor of 10 percent was considered essential if the quota were to remain in effect.

CHAPTER SUMMARY

- 1 The traditional importers, i.e. those who are involved primarily in importing, account for approximately two-thirds of all apparel imports into Canada. The remaining one-third is about equally divided between retailers and manufacturers.
- 2 Apparel imports increased by 168 percent in the period from 1970 with the largest single increase occurring in 1976 when the volume increased by 46.3 percent over 1975.
- 3 Hong Kong, Taiwan, the Republic of Korea and the People's Republic of China were the source of 75 percent of all apparel imports into Canada in 1976.
- 4 In most cases the exporter in the Orient is not a style leader or innovator. Mostly, he is a copier of sample garments brought to him by foreign importers or of garments appearing in fashion magazines.
- 5 The most common reasons for retailers to look to a foreign source of supply are said to be the price/quality relationship and the need for variety to meet the sophisticated and discerning needs of the Canadian style and value-conscious customer.
- 6 There has been an accelerated trend to high fashion boutiques. It is said that customers of the boutiques are traumatized by the foreign label which has become synonymous with quality, originality, style, elegance and timeliness.
- 7 There was almost complete unanimity of opinion among those appearing before the Board or who made submissions to the Board, that any import quotas that might be imposed should be administered in Canada to avoid increased costs from quota brokering.
- 8 In concert with the manufacturers and the retailers, the traditional importers desire certainty in the market place, in order to plan their business effectively.

In its presentation to the Textile and Clothing Board, the Consumers' Association of Canada (CAC) voiced its disapproval at the introduction of additional restraints on the importation of garments into Canada. It argued that the tariffs currently being applied against imports of textiles and clothing averaged 23.6 and 25.5 percent respectively, and are among the highest rates of duty of imported goods.

It also argued that the direct and indirect cost to consumers of protection for the textile and clothing industries is very substantial. As an example, it claimed that the recent suspension of import permits for outerwear from six countries had already resulted in a startling price rise for these garments: while clothing prices generally increased by 1 percent between September and October 1976, indices for men's and women's outerwear rose 1.7 and 2.7 percent respectively, over the same period. It also argued that as a result of limitations placed on articles of clothing shipped to Canada, foreign exporters and/or domestic importers became reluctant to handle lower-priced items to any significant degree, primarily because the return on such goods is small. It claimed that this limitation of low-cost clothing has an adverse effect on the consumer, not only in contributing to higher average clothing prices, but also in reducing low-income consumers' access to budget-saving clothing.

The Quebec chapter of the Consumers' Association of Canada disassociated itself from the brief presented by the national association. The Quebec group supported the restraint measures adopted, on the basis that the very existence of a strong domestic industry constitutes an element of competition, thus protecting the consumer against indiscriminate pricing policies of importers who, without a Canadian industry holding the price

line and offering competition, would ask any price they wanted or thought they could get.

In addition, the Quebec chapter argued that many imports from low-cost sources did not meet the quality standards expected by the consumers. Low prices to the consumer in the short run did not necessarily mean saving in the long run. Moreover, it was argued, employment and social benefits to the laid-off workers were heavier burdens to carry by the consumer than a marginal increase in the cost of clothing, which cost advantage was questioned in any event.

The Consumers' Association of Canada acknowledged that economic uncertainties in the textile industry may cause some workers to fear loss of their jobs, but expressed the view that import restrictions may, in the long run, increase worker vulnerability to unemployment. Therefore, it recommended that an immediate examination of the prospects for long-term viability and employment in the entire textile industry be undertaken with a view towards early introduction of a full complement of measures to promote viable production of Canadian textile products, and to make necessary industry/employment adjustments or compensation for those injured by new textile strategies.

The consumers are also concerned about the quality of goods. Those who spoke for the consumers have made forthright public statements to the effect that offshore products, many from low-cost countries, are of higher quality than domestic goods. The CAC's main object, however, in advocating freer trade, is to ensure that consumers have access to budget-saving clothes; the low-income consumer is their particular concern.

The CAC did not make any specific recommendation, other than to conclude that it could not support a proposal to introduce further restraints in the importation of garments into Canada. It said its experience with import restrictions in the past has shown that once in place, restrictions are generally not removed, and they lead to rapidly rising prices and a significant reduction in the variety of goods available.

The Quebec chapter was concerned with the problems of thousands of workers, who are bound to resent an 'open door' policy which results in the loss of their jobs. It stated that it was willing to support the continuation of the present quota system under certain conditions, as follows:

- 1 That the government, along with all interested parties, (including consumer groups) elaborate a policy by which the textile and clothing

industries could regain, over a period of five years, 80 to 90 percent of the market

- 2 That in the meantime, a selective quota system be devised for certain types of garments in order to ensure adequate supply of low-cost garments to the lower-income groups of consumers
- 3 That assurance be given that the Canadian industry can become competitive in the medium term
- 4 That quality standards be established for both fabrics and made-up garments, in order to ensure that the consumer obtain maximum quality in all articles of clothing and textiles sold in this country

Other organizations such as the Retail Council of Canada, the Canadian Textile Importers' Association, and the Better Business Bureau of Metropolitan Toronto, put forth similar arguments to that of the CAC, expressing opposition to additional restraints on the importation of garments into Canada. While the above organizations made generalized statements on the cost of restraining imports of clothing into Canada, they did not quantify such costs, other than to state that they were very substantial. Their general approach appears to be that the highest quality clothing should be available to Canadian consumers at the lowest possible price.

There has been much discussion about prices of wearing apparel in Canada. In this regard the Board has gathered data from the Consumer Price Index (CPI) covering the period from 1971 to 1976 for 'All Items' as well as for 'All Clothing'.

	<u>Consumer Price Index</u>		<u>Percentage Increase over Preceeding Year</u>	
	<u>All Items</u>	<u>Clothing</u>	<u>All Items</u>	<u>Clothing</u>
	1971 = 100			
1971	100.0	100.0	-	-
1972	104.8	102.6	4.8	2.6
1973	112.7	107.7	7.5	5.0
1974	125.0	118.0	10.9	9.6
1975	138.5	125.1	10.8	6.0
1976	148.9	132.0	7.5	5.5

Source: Statistics Canada, Consumer Prices and Price Indexes Catalogue No. 62-010

With the exception of 1974, when the rise in the clothing price index was fairly close to the increase for 'All Items', increases for other years have been much less pronounced than in the case of 'All Items'. This lower level of price increases in clothing appears to be due to competition within the domestic industry as well as low-cost countries' imports.

In this regard the Canadian Textile Importers' Association stated that garment imports help maintain a highly competitive market. In so doing, they assist in keeping clothing price increases to a minimum. In support of this, it cited the smaller increase for clothing prices compared with 'All Items' as given in the CPI.

The apparel producers, in their brief, indicated that with over 2,000 apparel producers in Canada this is as close to pure competition as can be found in this country and does not permit any firm to raise its prices at will. Continuing, they stated:

It is also worth noting that the increased prices of clothing are dictated, in large part, by factors which are beyond the industry's control, namely, retail mark-ups and the cost of fabrics. The former is due to the decision-making process by the retailers. The latter is due, in large measure, to the inability of domestic producers to supply the sophisticated full range of fabrics Canadian consumers need to meet fashion demand. Apparel producers must, therefore, import a large portion of the fabrics they use. Raw materials account for from 43 to 58 percent of the wholesale price of apparel. The average duty on these materials is about 25 percent or from 11 to 14 percent of the manufacturers' selling price.

Concern has been expressed that application of quotas on imported apparel would result in sizeable consumer price increases. Therefore, the Board reviewed the CPI for the period from October 1976 to March 1977. Data for six months for 'All Items' and 'All Clothing' are shown in the following table:

<u>Consumer Price Index</u>		<u>Percentage Increase Over Preceding Month</u>	
<u>All Items</u>	<u>All Clothing</u>	<u>All Items</u>	<u>All Clothing</u>

1971 = 100

1976

October	151.7	134.6	-	-
November	152.2	135.0	.3	.3
December	152.7	135.4	.3	.3

	<u>Consumer Price Index</u>		<u>Percentage Increase Over Preceding Month</u>	
	<u>All Items</u>	<u>All Clothing</u>	<u>All Items</u>	<u>All Clothing</u>
1977			1971 = 100	
January	154.0	135.4	.9	nil
February	155.4	136.4	.9	.7
March	157.0	138.2	1.0	1.3
Total increase				
October 1976				
to March 1977	5.3	3.6	3.5	2.7

The above figures show that in the six-month period the price index for 'All Items' increased 5.3 points compared with 3.6 points for 'All Clothing'. On a percentage basis, 'All Items' increased 3.6 percent compared with 2.7 percent for 'All Clothing'. The following gives percentage increases for the six-month period for the major components of the 'All Clothing' item:

Children's Wear 2.6% Women's Wear 1.8% Men's Wear 2.9%

Source: Statistics Canada, Consumer Prices and Price Indexes, Catalogue No. 62-010

It is of interest to note that, since October 1976, the price rise in children's wear has been 2.6 percent which is less than the increase of 3.5 percent for 'All Items' and marginally less than the 2.7 percent for 'All Clothing'. The temporary quotas were implemented in late November 1976.

In comparing the changes in the CPI with those contained in the United States' consumer price index, the Board noted that the United States experienced a similar pattern of increases with the clothing price index rise less than that of the overall price index for all items.

The Canadian consumer appears to have fared somewhat better than his counterpart in other countries in satisfying his clothing needs, based on a survey of 70 nations (90 percent of the population of the free world) taken by the Gallup Poll. The response to the following question included in the survey is reported on page C3 in the Toronto Star, December 27, 1976.

Have there been times during the last year when you did not have money enough to buy clothing your family needed?

<u>Not Enough Money for Clothing</u>	<u>Yes</u>	<u>No</u>	<u>Don't Know</u>
		(Percent)	
Canada	12	88	-
USA	19	80	1
Western Europe	19	80	1
Latin America	53	47	Less than 1
Africa	81	19	Less than 1
Far East	60	40	Less than 1

While accepting the need for normal import competition, the Board can envisage a situation in which the Canadian market would be inundated with low-cost imported wearing apparel at the expense of the Canadian apparel industry, which could eventually lead to its demise. The Board suggests that if such a situation were to develop, that is, if too much dependence were to be placed on foreign sources of supply of wearing apparel, such a situation might not necessarily result in price reductions but rather bring about the price increases which would likely be borne by the Canadian consumer. As well, there are serious hazards in relying too heavily on foreign sources of a basic commodity should Canada be affected by any international crisis.

The following is an analysis of disposable income expenditures by families of two or more persons for clothing, shelter and food for the years 1953 and 1974. Separate percentages have been shown for the low-income groups, the high-income groups and the average for all groups.

Percentage of Disposable Income

	<u>Low-Income Groups</u>		<u>High-Income Groups</u>		<u>Average for All Groups</u>	
	<u>1953</u>	<u>1974</u>	<u>1953</u>	<u>1974</u>	<u>1953</u>	<u>1974</u>
Clothing	7.1	5.6	10.6	6.9	9.5	7.2
Shelter	22.0	27.0	12.7	11.4	15.6	14.5
Food	35.4	32.4	21.7	13.0	27.3	17.2

Source: Dominion Bureau of Statistics, City Family Expenditures (1953), Catalogue No. 62-509
Statistics Canada, Urban Family Expenditures (1974) Catalogue No. 62-544

It is interesting to note that the percentage of disposable income spent on clothing for low-income, high-income and for all groups was significantly lower in 1974 than in 1953, while the other two basic categories increased.

CHAPTER SUMMARY

- 1 With the exception of the Quebec chapter, the Consumers' Association of Canada voiced disapproval at the introduction of additional restraints on the importation of garments into Canada.
- 2 The Quebec chapter of the Association disassociated itself from the brief presented by the national Association and supported the restraint measures adopted.
- 3 The main concern of the Consumers' Association (National) is to ensure that consumers have access to budget-saving clothes; the low-income consumer is their particular concern.
- 4 The Quebec chapter of the Association expressed concern with the problems of thousands of workers and the loss of jobs resulting from imports.
- 5 In the period since 1971 the Consumer Price Index for clothing has increased at a much slower annual rate than for 'All Items' in the Index. With 1971 equated to 100, the Index in 1976 for clothing was 132.0 compared with 148.9 for 'All Items'.
- 6 The Consumer Price Index for clothing in the period from October 1976 to March 1977 increased 3.6 points compared with an increase of 5.3 points for 'All Items' in the Index. In percentage terms these increases represent 2.7 percent for clothing and 3.5 percent for 'All Items'.
- 7 The Consumer Price Index for the period 1971 to 1976 and for the six months from October 1976 to March 1977 (the period in which the import restraints were imposed) clearly indicate that in both periods clothing prices increased at a slower rate than for 'All Items' in the Index.
- 8 The percentage of disposable income spent on clothing for low-income groups dropped in the period from 1953 to 1974 from 7.1 percent to 5.6 percent. Somewhat higher reductions were reported for the high-income groups and for the average of all groups.

APPENDICES

Mr. G. K. Bennett
Chairman
Textile and Clothing Board
7th Floor, Journal North Bldg
300 Slater Street
Ottawa, Ontario
K1A 0H5

Appendix 1

Dear Mr. Bennett:

I have received representations to the effect that a number of apparel items are being imported under such conditions as to cause or threaten serious injury to Canadian production of like or directly competitive products. These items fall into the following categories:

- 1 Pants (including jeans, slacks, shorts, overalls and coveralls)
- 2 Unstructured or leisure suits
- 3 Blouses and ladies' shirts
- 4 Pyjamas and sleepwear
- 5 Raincoats
- 6 Sportswear, including dresses and co-ordinates
- 7 Foundation garments
- 8 Swimwear
- 9 Underwear
- 10 Top coats, overcoats and outer jackets, including duffle coats, suburban coats and pant coats

Accordingly, I hereby request the Board:

- 1 To undertake an inquiry regarding the effect of imports of these products on Canadian production and employment;
- 2 To examine any plans for adjustments in their operations which producers of such products submit to the Board;
- 3 If the Board finds that the goods in question are

being imported or are likely to be imported under such conditions as to cause or threaten serious injury and that plans submitted are acceptable, to make appropriate recommendations to me to prevent or remedy the serious injury in question, taking into account the effect of such measures on consumers, the provisions of any relevant international agreements to which Canada is a party and relevant manpower and regional factors -

- 4 To submit a report to me on these matters as expeditiously as possible, bearing in mind the provisions of the Textile and Clothing Board Act, including Section 17(2).

The inquiry should cover goods manufactured from all fibres, whether woven, knitted, crocheted, etc., for men, boys, girls or infants. Competing products composed wholly or in part of non-textile materials such as leather or vinyl should also be included.

In the representations made to me it has been suggested that the first six of the categories listed above are the most critical. I should appreciate your bearing this in mind if the Board should decide that, because of the range of products involved, it is necessary to establish some priorities in the handling of this inquiry.

Yours sincerely,

(Sgd.) Jean Chrétien

Note:

The Textile and Clothing Board was advised by the office of the Minister that line 2 of the penultimate paragraph of this letter should have the word "women's" added thereto. The Board's notice in the Canada Gazette reflects this addition.

CLOTHING

The Textile and Clothing Board hereby gives notice of its intention to conduct an inquiry pursuant to a request received from the Minister of Industry, Trade and Commerce in a letter reading as follows:

"I have received representations to the effect that a number of apparel items are being imported under such conditions as to cause or threaten serious injury to Canadian production of like or directly competitive products. These items fall into the following broad categories:

- 1 Pants (including jeans, slacks, shorts, overalls and coveralls)
- 2 Unstructured or leisure suits
- 3 Blouses and ladies' shirts
- 4 Pyjamas and sleepwear
- 5 Raincoats
- 6 Sportswear, including dresses and co-ordinates
- 7 Foundation garments
- 8 Swimwear
- 9 Underwear
- 10 Top coats, overcoats and outer jackets, including duffle coats, suburban coats and pant coats

Accordingly, I hereby request the Board:

- 1 To undertake an inquiry regarding the effect of imports of these products on Canadian production and employment
- 2 To examine any plans for adjustments in their operations which producers of such products submit to the Board
- 3 If the Board finds that the goods in question are being imported or are likely to be imported under such conditions as to cause or threaten serious injury and that plans submitted are acceptable, to make appropriate recommendations to me to prevent or remedy the serious injury in question, taking into account the effect of any relevant international agreements to which Canada is a party and relevant manpower and regional factors
- 4 To submit a report to me on these matters as expeditiously as possible, bearing in mind the provisions of the Textile and Clothing Board Act, including Section 17(2)

The inquiry should cover goods manufactured from all fibres, whether woven, knitted, crocheted, etc., for men, women, boys, girls or infants. Competing products composed wholly or in part of non-textile materials such as leather or vinyl should also be included."

The Board invites interested parties to submit to it not later than November 29, 1976, briefs relating to this inquiry. Ten copies of each brief should be supplied. The Board will not make public the contents of such briefs and the confidentiality of confidential material contained in them will be maintained. Those submitting briefs are free to make them public if they wish.

It should be noted that any Canadian producer who submits or associates himself with a brief alleging injury and requesting the implementation of special measures of protection will be expected to file with the Board a plan describing the adjustments he proposes to make in his operations in order to increase his ability to meet international competition in the market in Canada.

Public hearings relating to this inquiry will be held by the Board in Montreal, Ottawa, Toronto and Winnipeg commencing in early January 1977. Specific dates and places for these hearings will be announced at a later date.

These public hearings will be for the purpose of receiving supplementary presentations or arguments from organizations or persons who will have presented briefs by November 29, 1976, and have given notice of their wish to make supplementary oral presentations. Because of the unusually large scope of this inquiry and of the need to organize the hearings as early as possible the Board requests that those who wish to be heard notify the Board to that effect at the latest by October 30, 1976, indicating at the same time at which of the four specified cities they wish to be heard. All requests for appearances before the Board should be accompanied at least by an outline of the full brief to be presented to the Board by November 29, 1976.

The Board will also receive requests for private hearings from parties who wish to discuss confidential matters. Such requests should also be made before October 30, 1976. These private hearings will be arranged at mutually convenient times for the parties concerned.

All correspondence and briefs regarding this inquiry should be addressed to the Secretary, Textile and Clothing Board, Room 716, Journal North Building, 300 Slater Street, Ottawa, Ontario, K1A 0H5 (Telephone: 996-6993).

Ottawa, Canada
September 24, 1976

INFORMAL INTERVIEWS OR MEETINGS OF
THE BOARD AND ITS PERSONNEL WITH
ORGANIZATIONS, FIRMS, UNIONS AND
GOVERNMENT DEPARTMENTS

Appendix 3

ORGANIZATIONS

Apparel Manufacturers' Association of Ontario	Toronto, Ont.
Apparel Manufacturers' Institute of Quebec	Montreal, Que.
British Columbia Fashion and Needle Trade Assoc.	Vancouver, B.C.
C.D. Howe Institute	Montreal, Que.
Canadian Imperial Bank of Commerce	Montreal, Que.
Canadian Importers' Association Inc.	Toronto, Ont.
Canadian Textiles Institute	Montreal, Que.
Consumers' Association of Canada	Ottawa, Ont.
Manitoba Fashion Institute	Winnipeg, Man.
Montreal Dress and Sportswear Manufacturers' Guild	Montreal, Que.
Montreal Gazette	Montreal, Que.
Perconsult	Montreal, Que.
Retail Council of Canada	Toronto, Ont.
Textile Trade Association	Montreal, Que.

FIRMS

Aero Garment Limited	Vancouver, B.C.
The Arrow Company	Toronto, Ont.
Bonda Textiles Limited	Yarmouth, N.S.
Canadian Buttons Limited	La Salle, Que.
Celanese Canada Limited	Montreal, Que.
Consolidated Textiles Limited	Montreal, Que.
Dominion Textile Limited	Montreal, Que.
DuPont of Canada Limited	Montreal, Que.
The Freedman Company Limited	Montreal, Que.
Gemini Fashions of Canada Limited	Winnipeg, Man.
C. Itoh and Company Limited	Montreal, Que.
Jantzen of Canada Limited	Vancouver, B.C.
Kiddies Togs Manufacturing Limited	Montreal, Que.
Lenco Garments Limited	Montreal, Que.
Lounge Fashion Clothes Limited	Vancouver, B.C.
Nova Scotia Textiles Limited	Windsor, N.S.
Rice Sportswear Limited	Winnipeg, Man.
Rocko Fashions Limited	Montreal, Que.
Stanfield's Limited	Truro, N.S.
Style Guild of Canada	Montreal, Que.
Surrey Classics Manufacturing Limited	Vancouver, B.C.
Wescott Fashions Limited	Winnipeg, Man.
White Ram Knitting Company Limited	Calgary, Alta.

UNIONS

Amalgamated Clothing and Textile Workers Union	Montreal, Que. Toronto, Ont.
Fédération Canadienne des Travailleurs du Textile Inc. (C.S.D.)	Montreal, Que.
United Textile Workers' of America	Montreal, Que.

FEDERAL GOVERNMENT

Canadian International Development Agency
Department of Consumer and Corporate Affairs
Department of External Affairs
Department of Finance
Department of Industry, Trade and Commerce
Department of Labour
Department of Manpower and Immigration
Economic Council of Canada
Revenue Canada
The Tariff Board

PROVINCIAL GOVERNMENTS

Manitoba Department of Industry and Commerce
Ontario Ministry of Industry and Tourism
Quebec Department of Industry and Commerce

CLOTHING INQUIRY

Appendix 4

FIRMS AND ORGANIZATIONS WHICH PRESENTED OR
SUPPORTED BRIEFS TO THE BOARD AND APPEARED
AT HEARINGS OF THE BOARD

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
A. & S. Sales Limited	Vancouver, B.C.	Private
Acme Garment Company 1975 Limited	Winnipeg, Man.	Public
Advisory Committee for the Ladies' Dress and Sportwear Industry	Toronto, Ont.	Public
Alpha Sportwear Limited	Vancouver, B.C.	
The Amalgamated Clothing and Textile Workers' Union	Vancouver, B.C. Winnipeg, Man. Montreal, Que.	Public
Anna Knitwear Limited	Toronto, Ont.	
Apparel Manufacturers' Association of Ontario	Toronto, Ont.	Public
Apparel Manufacturers' Institute of Quebec	Montreal, Que.	Public
Arcade Ladies Shoppe Limited	Halifax, N.S.	Public
The Arrow Company	Toronto, Ont.	Private
Association des Importateurs de Vêtements Européens	Montreal, Que.	Public

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Syd Banks and Associates	Toronto, Ont.	Private
Barbro Imports Limited	Vancouver, B.C.	Private
R.A. Beamish Stores Company Limited	Ottawa, Ont.	Private
The Bell Thread Company Limited	Arthur, Ont.	Private
Better Business Bureau	Toronto, Ont.	Public
Body Fashion Manufacturers Association of Canada	Montreal, Que.	
Bonda Textiles Limited	Yarmouth N.S.	
Boyes and Rosser Limited	Coquitlam, B.C.	Public
Brittannia Sportwear Limited	Vancouver, B.C.	Private
British Columbia Fashion and Needle Trade Association	Vancouver, B.C.	Public
Brook Industries Limited	Montreal, Que.	Private
Buster Brown Textiles Inc (Canadian Division)	Dorval, Que.	
The Cadillac Fairview Corporation Limited	Toronto, Ont.	Private
The Coppley Noyes and Randall Limited (Cambridge Clothing)	Hamilton, Ont.	Public
Canadian Clothing Manufacturers Association on behalf of Men's suit manufacturers, Quebec and Ontario	Toronto, Ont.	Public
Canadian Importers Association	Toronto, Ont.	Public
Canadian Lady-Canadelle Inc	Montreal, Que.	Private
Canadian High Fashion Retailers' Association	Toronto, Ont.	Public

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Canadian Shirt Manufacturers' Association	Toronto, Ont.	Public
Canadian Textile Importers' Association	Montreal, Que.	Public
Canadian Textiles Institute jointly with the C.S.D., the A.C.T.W.U. and the U.T.W.A.	Montreal, Que.	Public
Caravan Manufacturing Limited	Calgary, Alta.	Private
Donald B. Carmichael Manufacturers' Agent	Vancouver, B.C.	Private
Celanese Canada Limited	Montreal, Que.	Private
Central Sportswear Manufacturing Company Limited	Winnipeg, Man.	Public
Centrale des Syndicats Démocratiques	Montreal, Que.	Public
Century 21 Apparels Limited	Winnipeg, Man.	Public
Chassé Inc	Ste. Marie de Beauce, Que.	
Cleyn and Tinker Limited	Huntingdon, Que.	Private
La Confédération des Syndicats Nationaux	Montreal, Que.	Public
Consumers' Association of Canada	Ottawa, Ont.	Public
Consumers' Association of Canada (Quebec) Inc	Montreal, Que.	
Jacob Crowley Manufacturing Limited	Winnipeg, Man.	Public
Crown Cap Manufacturing Company Limited	Winnipeg, Man.	Public
Dae Woo International Company Limited	Montreal, Que.	Private

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Daniel Hechter Limited	Montreal, Que.	Private
Dance Originals and Tailored Juniors	Toronto, Ont.	Private
Dantex Woollen Company	Montreal, Que.	Private
Darby's Great Hang-Ups Limited	Toronto, Ont.	
Daymor Dress Inc	Toronto, Ont.	Private
Destro Enterprises Limited	Montreal, Que.	Private
Diament Knitting Mills Limited	Toronto, Ont.	
Diamond and Company Limited	Winnipeg, Man.	Private
Dog's Ear T-shirt Boutique	Vancouver, B.C.	Private
Dominion Textile Limited	Montreal, Que.	Private
Donnacona Imports Inc	Montreal, Que	
Don Parker Manufacturing Limited	Edmonton, Alta.	Private
DuPont of Canada Limited	Montreal, Que.	
Dylex Limited	Toronto, Ont.	Private
Exquisite Form Brassiere (Canada) Limited	Toronto, Ont.	Private
Fabco Trading Corporation	Montreal, Que.	
Fabric Dyers Limited	Lachine, Que.	Public
The Formfit Company	Toronto, Ont.	
Forsyth Trading Company Limited	Kitchener, Ont.	Private
Frank Fehr and Company (Canada) Limited	West Vancouver, B.C.	Public Private
Freed and Freed Limited	Winnipeg, Man.	Public
Leonard Friesen Limited	Surrey, B.C.	Private

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
G.W.G. Limited	Edmonton, Alta.	Private
Gemini Fashions of Canada Limited	Winnipeg, Man.	Public
Gerb Enterprises Limited	Winnipeg, Man.	Public
Gloverall Limited	London, U.K.	Private
Halifax Tweed Shop Limited	Halifax, N.S.	
Holiday Sportswear Manufacturing Company	Toronto, Ont.	Private
Holt, Renfrew, and Company Limited	Montreal, Que.	Private
Normie Hum Limited	Montreal, Que.	Private
Ideal Knitwear Manufacturing Company	Montreal, Que.	Public
Industrial Textiles Limited	Toronto, Ont.	
Ingram's Manufacturing	Saskatoon, Sask.	Private
Institute of Commission Dyers, Finishers and Printers	Montreal, Que.	Public
International Ladies' Garment Workers Union	Winnipeg, Man. Montreal, Que.	Public Public
The Irish Shop	Toronto, Ont.	
C. Itoh and Company (Canada) Limited	Montreal, Que.	Private
J.M.L. Shirt Limited	Edmonton, N.B.	
Jaeger Fashions of Canada Limited	Toronto, Ont.	Public
The Japan Textile Products Exporters' Association	Osaka, Japan	
Jay Dee Products Limited	Winnipeg, Man.	Public

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Jean Joint Limited	Edmonton and Calgary, Alta.	Public
Jet-Tex Dyers Limited	Valleyfield, Que.	
Jonfel Imports Limited	Vancouver, B.C.	Private
Karwell Trading Company Limited	Montreal, Que.	
Kelsey Sportswear Limited	Winnipeg, Man.	Public
Ken-Jac Importers Limited	Vancouver, B.C.	Private
Knit-rite Mills Limited	Winnipeg, Man.	Public
Knitters' Association of Canada	Montreal, Que.	Public
Lantry Leathers Limited	Winnipeg, Man.	Public
Karl Sedlacek	Brockville, Ont.	
Leith and Dyke Limited	Vancouver, B.C.	Public
Manitoba Fashion Institute	Winnipeg, Man.	Public
Maritime Campus Store Limited	Halifax, N.S.	
Marks & Spencer (St. Michael Shops of Canada Ltd)	Mississauga, Ont.	Public Private
Marquesa Fashions Inc	Montreal, Que.	
Mid-West Garments Limited	Winnipeg, Man.	Public
Monarch Sales Inc	Montreal, Que.	Private
Monarch Wear Limited	Winnipeg, Man.	Public
Mondor Hosiery Limited	Iberville, Que.	Public
Morwill Clothing Manufacturing Company Limited	Montreal, Que.	Private
National Cloaks (1971) Limited	Winnipeg, Man.	Private

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
National Ski Industries' Association	Montreal, Que.	Private
Neal Industries Limited	Montreal, Que.	Private
Nova Scotia Textiles Limited	Windsor, N.S.	Public
Otis-Starr Limited	Toronto, Ont.	Public
Parkhurst Knitwear (Dorothea Knitting Mills Limited)	Toronto, Ont.	Private
Pinatel Piece Dye Works Limited	Joliette, Que.	Public
Popular Industries Limited	Montreal, Que.	Private
Ports International Limited	Toronto, Ont.	Private
Promo-Wear Limited	Winnipeg, Man.	Public
Raber Togs Manufacturing Company Limited	Winnipeg, Man.	Public
Retail Council of Canada	Toronto, Ont.	Public
Retail Merchants Association of Canada (BC Division)	Vancouver, B.C.	Public
Rice Sportswear Limited	Winnipeg, Man.	Public
Riviera Slacks Inc	Toronto, Ont.	Private
Royal Shirt Company	Downsview, Ont.	
Rubenstein Bros. (Western) Limited	Winnipeg, Man.	Public
Seder Sportswear	Winnipeg, Man.	Public
Peerless Clothing Limited	Montreal, Que.	Private
SilPit Industries Limited	Winnipeg, Man.	Private
The Sport Distributing Company	Vancouver, B.C.	

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Sport-Ease Fashions Limited	Winnipeg, Man.	Public
Squire Manufacturing Limited	Winnipeg, Man.	Public
Stanfield's Limited	Truro, N.S.	Public
Starboard Dungaree Limited	Vancouver, B.C.	
Sterling Cloak Company Limited	Winnipeg, Man.	Public
Style Guild of Canada	Montreal, Que.	Private
Tan-Jay International	Winnipeg, Man.	Private
Tex-el Inc	Ste. Marie de Beauce, Que.	
Transcontinental Sales Limited	Montreal, Que.	Private
Tricot d'Or Limitée	Montreal, Que.	
Triton Industries	Montreal, Que.	Private
United Garment Workers of America	Winnipeg, Man.	Public
Via Condotti Inc	Toronto, Ont.	
Wabasso Limited	Montreal, Que.	Private
Warner's (Division of Warnaco of Canada Limited)	Ottawa, Ont.	
J.H. Warsh and Company Limited	Toronto, Ont.	
Werkohn Knitting Mills	Montreal, Que.	Public
Wescott Fashions Limited	Winnipeg, Man.	Public
West Coast Woollen Mills Limited	Vancouver, B.C.	Private

<u>NAME</u>	<u>LOCATION</u>	<u>HEARING</u>
Western Glove Works Limited	Winnipeg, Man.	Private
Western Ontario Joint Board Amalgamated Clothing and Textile Workers Union	Kitchener, Ont.	
Winnipeg Leather Goods Manufacturing Limited	Winnipeg, Man.	Public
Harvey Woods Limited	Woodstock, Ont.	Private

TEXT OF ARTICLE XIX

EMERGENCY ACTION ON IMPORTS
OF PARTICULAR PRODUCTS

- 1 (a) If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(b) If any product, which is the subject of a concession with respect to a preference, is being imported into the territory of a contracting party in the circumstances set forth in sub-paragraph (a) of this paragraph, so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a contracting party which receives or received such preference, the importing contracting party shall be free, if that other contracting party so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product to the extent and for such time as may be necessary to prevent or remedy such injury.
- 2 Before any contracting party shall take action pursuant to the provisions of paragraph 1 of this article, it shall give notice in writing to the CONTRACTING PARTIES as far in advance as may be practicable and shall afford the CONTRACTING PARTIES and those contracting parties having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action.

When such notice is given in relation to a concession with respect to a preference, the notice shall name the contracting party which has requested the action. In critical circumstances, where delay would cause damage which it would be difficult to repair, action under paragraph 1 of this article may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

- 3 (a) If agreement among the interested contracting parties with respect to the action is not reached, the contracting party which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected contracting parties shall then be free, not later than ninety days after such action is taken, to suspend, upon the expiration of thirty days from the day on which the written notice of such suspension is received by the CONTRACTING PARTIES, the application to the trade of the contracting party taking such action, or, in the case envisaged in paragraph 1(b) of this article, to the trade of the contracting party requesting such action, of such substantially equivalent concessions or other obligations under this Agreement the suspension of which the CONTRACTING PARTIES do not disapprove.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, where action is taken under paragraph 2 of this article without prior consultation and causes or threatens serious injury in the territory of a contracting party to the domestic producers of products affected by the action, that contracting party shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such concessions or other obligations as may be necessary to prevent or remedy the injury.

INTERIM REPORT ON CLOTHING INQUIRY

This is an interim report, made pursuant to section 17(2) of the Textile and Clothing Board Act. It relates to the inquiry on clothing undertaken at the request of the Minister of Industry, Trade and Commerce, which inquiry is being carried out to determine whether imports of certain types of clothing are causing or threatening to cause serious injury to production in Canada.

In response to the Minister's request, the Board gave public notice of its intention to conduct such an inquiry, a copy of this notice is attached as Appendix I (now Appendix 2). The notice of inquiry was given the widest possible distribution and was published in the September 25, 1976 issue of the Canada Gazette. Interested parties wishing to submit views were requested to do so by November 29, 1976. In view of the magnitude of the inquiry, the Board met informally with as many as possible of those parties considered to have a major interest in this inquiry, in order to gain a preliminary assessment of the seriousness of the situation. Attached as Appendix II (now Appendix 4) is a list of those with whom the Board met.

An "Emergency Interim Submission" by the Apparel Manufacturers' Institute of Quebec, the Apparel Manufacturers' Association of Ontario and the Manitoba Fashion Institute was presented to the Board at a private hearing held on Nov. 1, 1976. It was stated that apparel imports were severely disrupting the Canadian apparel market. The request was made that the Board, pursuant to Section 17(2) of the Textile and Clothing Board Act, recommend the establishment of quotas to limit imports on an annual basis to the average volume of apparel imports during the calendar years 1973 to 1975, inclusive. The position of these

apparel manufacturers was supported by the Centrale des Syndicats Démocratiques, the International Ladies Garment Workers' Union, the Amalgamated Clothing and Textile Workers' Union, and the Canadian Textile Institute.

Section 17(2) states:

"(2) Where, during the course of an inquiry, the Board is of the opinion that the textile and clothing goods that are the subject matter of the inquiry are being imported at such prices, in such quantities and under such conditions as to cause or threaten serious and immediate injury to the production in Canada of any textile and clothing goods that would be difficult to repair, the Board may, before making any evaluation of the plans required to be submitted in connection with the inquiry, make a written report to the Minister recommending that special measures of protection be implemented immediately on an interim basis pending its evaluation of the plans."

Statistics showing imports, production and market in Canada for the individual categories of clothing which are covered by the inquiry are not available from published sources in the necessary detail which would allow a definitive analysis to be made. However, the various associations of clothing manufacturers in Canada have provided the Board with data mostly obtained from Statistics Canada, on imports of textiles and clothing up to July, 1976 as well as on domestic shipments, department store apparel sales and inventories. In addition, the Board has also obtained various analyses and estimates pertaining to the current situation in the clothing market from Statistics Canada and the Textile and Consumer Products Branch of the Department of Industry, Trade and Commerce.

The following is a summary of garment imports in terms of thousands of dozens for the first seven months of 1975 and 1976 as provided by the manufacturers' associations:

First seven months of 1975	8,981,000 dozens
First seven months of 1976	<u>13,660,000 dozens</u>
Increase in 1976	4,679,000 dozens
Percentage increase	52.1

Based on the first seven months of 1976, the manufacturers' associations have projected the volume of imports for the calendar year 1976 at slightly over 23,000,000 dozens or about one dozen garments for every man, woman and child in Canada. On a per capita basis, the value of Canadian imports of textiles

and clothing in 1974 was 300 per cent higher than in the United States and almost 250 per cent higher than in the European Economic Community, according to the United Nations, Commodity Trade Statistics, 1974, and the United Nations' Monthly Bulletin of Statistics, April 1976.

The Textile and Consumer Products Branch of the Department of Industry, Trade and Commerce has assembled data on garment imports for the first six months of the years 1975 and 1976 which substantially support the data provided by the manufacturers' associations for seven months. In addition, the latter was confirmed following Research by the Board's staff.

The import data supplied by the Branch shows an increase of 50.3 per cent for six months in 1976, compared with the associations' figure of 52.1 per cent for seven months. In terms of quantities the Branch shows an increase of 4,149,000 dozens for six months in 1976, compared with the associations' seven-month figure of 4,679,000.

Data obtained by the Textile and Clothing Board from Statistics Canada with respect to the value of importations of relevant categories of clothing during the first seven months of each of the years 1973 to 1976 inclusive is as follows:

<u>January</u> <u>July</u>	<u>Import</u> <u>Volume</u>	<u>Percentage Over</u> <u>Preceding Year</u>
1973	\$ 182,500,000	-
1974	\$ 222,700,000	22
1975	\$ 253,900,000	14
1976	\$ 401,400,000	58

The increase in the first seven months of 1976 over the same period in 1973 is \$218,900,000, which is equal to 120 per cent of the 1973 import figure.

An analysis done by the Textiles and Consumer Products Branch indicates that the bulk of the increase in imports originates from low-cost sources, including state-trading countries. Appendix III (of the Interim Report) provides details as to some of the significant sources.

According to the estimate of the apparent Canadian market developed by the Textile and Consumer Products Branch domestic shipments of clothing will have declined from 340.1 million units in 1973 to an estimated 245.5 million units in 1976, for a decrease of 28 per cent over the period, the bulk of the decrease occurring during 1976. The following table illustrates this:

CANADIAN CLOTHING MARKET (million units)

	1969	1971	1973	1975	<u>Jan. to June</u>		Est. for 1976
					<u>1975</u>	<u>1976</u>	
Domestic Shipments	332.6	335.2	340.1	298.8 (e)	141.3 (e)	151.0 (e)	245.5 (e)
Imports Actual	91.0	110.2	153.2	192.4	96.6	145.2	290.7 (e)
Apparent Canadian Market	423.6	445.4	493.3	491.2 (e)	237.9 (e)	296.2 (e)	536.2 (e)
Percentage of Apparent Can. Market							
Domestic	78.5	75.3	68.9	60.8	59.4	51.0	45.8
Imports	21.5	24.7	31.1	39.2	40.6	49.0	54.2

(e) Estimated

These figures confirm the claim of the industry that the share of the domestic clothing market held by Canadian manufacturers will decline to approximately 45 per cent in 1976. As of June, 1976 their share of the domestic market had already declined to 51 per cent. It has been calculated that the number of employees to be laid off as a result of this decline is likely to exceed 20,000 in the garment sector alone. Furthermore, 12,500 employees in the primary sector are expected to lose their jobs. The Board has received evidence that much of this displacement has already occurred.

CONCLUSIONS AND RECOMMENDATIONS

During the years 1969 to 1975 inclusive, the apparent Canadian market for apparel increased at an average yearly rate of 2.7 per cent. During the same period, garment imports increased by an average of 18.5 per cent per annum. It can only be concluded, therefore, that the sudden increase of 50 per cent in imports in the first six months of 1976 cannot be attributed to increased market demand.

On the basis of the evidence received, the Board has concluded that the categories of clothing listed below are being imported

in such quantities and in such conditions as to cause or threaten serious and immediate injury to production in Canada that would be difficult to repair. It is the Board's view that unless immediate action is taken to curb the influx of imports, activity in the Canadian garment industry will decline to unacceptably low levels; levels which would result in substantial lay-offs, plant closures and significant losses in investment.

- 1 Pants (including jeans, slacks, shorts, overalls and coveralls)
- 2 Unstructured or leisure suits
- 3 Blouses and ladies' shirts
- 4 Pyjamas and sleepwear
- 5 Raincoats
- 6 Sportswear, including dresses and co-ordinates
- 7 Foundation garments
- 8 Swimwear
- 9 Underwear
- 10 Top coats, overcoats and outerjackets, including duffle coats, suburban coats and pant coats
- 11 Men's fine suits
- 12 Leather coats
- 13 Men's and boys' shirts
- 14 Sweaters, pullovers and cardigans

In formulating the special measures of protection being recommended, the Board made every effort to develop measures which would give Canadian producers the degree of protection necessary to alleviate the serious injury from increasing. On the other hand, the Board recognizes the very important roles of the consumer, retailer and importer in the Canadian economy and in doing so, is cognizant of its responsibility to minimize to the extent possible disruption in the market place which could result from wide ranging special measures of protection. There is ample evidence to show that the implementation of special measures of protection, in addition to limiting the quantity of goods imported into Canada

directly affects the nature and value of goods being imported and impose significant financial hardship. For example, quotas administered by exporting countries have resulted in "quota charges" over and above the regular prices of the merchandise which are passed on to the retailer and eventually to the consumer; under quota conditions, exporters are reluctant and in some cases refuse to sell children's garments, preferring to sell garments for men and women where the absolute mark-up would be more substantial thereby creating a reduction in the quantity of children's garments available; and since the majority of garments imported from the Far East are purchased on a "Letter of Credit" basis which, once opened, must be honoured, the effects of delays in the implementation of quotas, or uncertainty in quantity which may be permitted entry, cause severe disruption in the importing and retailing communities.

The Board has noted that importers have already opened Letters of Credit for merchandise for Spring and Summer 1977, and are presently negotiating with exporters for merchandise for Fall and Winter 1977.

Pending completion of its inquiry the Board recommends:

- 1 that the import control list be amended to include all three items of clothing listed above;
- 2 that the level of imports of the goods covered in (1) above be limited in 1977 to the level of imports of these goods from all sources during the calendar year 1975;
- 3 that, in those cases where limitations have already been implemented on any of the products listed above, imports in 1977 be limited to the level of imports in 1975, or to the level of the limitation, which ever is the lesser;
- 4 that the limitation on imports be controlled through the issuance of permits to importers on the basis of their performance in each of the product categories listed above.

(Sgd.) G. L. Bennett
Chairman

(Sgd.) Jacques St. Laurent
Member

(Sgd.) J. E. Clubb
Member

GARMENT IMPORTS*
JANUARY - JUNE, 1976
(000 UNITS)

PANTS

Hong Kong	4,744
China	3,667
Korea	2,514
Taiwan	6,078
Mexico	813
Puerto Rico	804
Total above	18,620
Other	4,050
Total	22,670

BLOUSES

Hong Kong	3,159
India	1,363
Korea	2,158
Taiwan	6,341
Malaysia	546
Total above	13,567
Other	1,209
Total	14,776

UNDERWEAR

Hong Kong	4,374
Israel	580
Spain	352
Taiwan	2,383
Total above	7,689
Other	2,521
Total	10,210

COATS

Hong Kong	686
Korea	2,306
Taiwan	582
China	490
Total above	4,064
Other	816
Total	4,880

PYJAMAS & SLEEPWEAR

Hong Kong	157
China	1,211
Taiwan	1,001
Brazil	169
Total above	2,538
Other	369
Total	2,907

SWIMWEAR

Hong Kong	648
Taiwan	1,087
Israel	91
Korea	60
Total above	1,886
Other	627
Total	2,513

RAINCOATS

Taiwan	562
Hong Kong	217
Korea	138
Total above	917
Other	152
Total	1,069

DRESSES

Hong Kong	490
Taiwan	252
India	220
Total above	962
Other	788
Total	1,750

FOUNDATION GARMENTS

Hong Kong	420
Philippines	660
Total above	1,080
Other	471
Total	1,551

*Appendix III of the Interim Report.

COMPARATIVE ANALYSIS
of
CANADIAN AND AMERICAN
APPAREL MANUFACTURERS

for the
TEXTILE AND CLOTHING BOARD
Ottawa, Canada

by

KURT SALMON ASSOCIATES - CANADA LTD.
2170 Lincoln Avenue - Suite 103
Montreal, Quebec
April, 1977

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I. FORMAT AND SCOPE

In order to aid the Textile and Clothing Board in its task of proposing policies with reference to apparel imports, Kurt Salmon Associates - Canada, Ltd. was commissioned to objectively compare Canadian apparel firms with clothing companies in the United States. Due to time constraints, it was determined that a broad view, both statistically and functionally of the industries in both countries would be contrasted.

The Canadian firms to be surveyed were jointly selected by Kurt Salmon Associates, the Department of Industry, Trade and Commerce, and the Board so as to reflect the industry across product lines, types of ownership, size, and geographical location. For the most part, firms employing over fifty persons were interviewed as these companies while comprising only thirty-three percent of the total Canadian firms, approximate some seventy-five percent of the volume. In all, 38 firms were chosen.

This same sampling was similarly used to grade more subjective aspects of the apparel industry such as the use of automation, machine attachments, work aids, material utilization controls, comprehensive management information systems, production scheduling controls, supervisory development programs, quality control systems, etc.

To undertake the sampling, an analytical questionnaire was prepared by KSA covering the manufacturing, merchandising, marketing, finance, and personnel parameters of apparel firms. The companies in the sample were then written advising them of their selection and then telephoned to arrange interview appointments. Each firm was then visited by Kurt Salmon Associates and the executives of the firms were interviewed along the questionnaire format. Their various controls and procedures were observed and a tour of the entire manufacturing process conducted. In order to minimize reporting bias, only two consultants from our staff were assigned to conduct these company visitations. The complete cooperation afforded KSA by the interviewed firms was very much appreciated and in no small part made the detailed analysis in this report possible.

The subjective aspects of the questionnaire were graded as:

- excellent
- good
- satisfactory
- fair
- poor

For ease of comparison in later sections of the report, Canadian and American firms were contrasted only on the sum of the Excellent plus Good and Fair plus Poor categories.

In addition to the information obtained from the interviews with Canadian manufacturers, statistical data was used, when it was available on a meaningful basis, from Statistics Canada and the Clothing Division of the textile and consumer products branch of the Department of Industry, Trade and Commerce.

Where comparable statistical data were unavailable on American manufacturers, current information from Kurt Salmon Associates' files was used and similarly graded on the Excellent to Poor scale. It should be noted that all of the American firms so analyzed are current clients. This could introduce some bias into the evaluations as, generally speaking, more sophisticated companies tend to employ outside assistance (with some exceptions). (Sixty-eight percent of the Canadian firms interviewed have used consultants).

The garments produced by the sampled companies include:

<u>Garment</u>	<u>Number of Firms</u> (Canada)	<u>Number of Firms</u> (U.S.A.)
Men's suits	2	3
Children's pants	0	1
Rainwear	2	0
Men's outerwear	6	2
Women's outerwear	2	2
Children's outerwear	3	2
Jeans & dress jeans	5	5
Men's slacks	4	3
Dress pants	2	2
Dress shirts	1	1
Men's/women's/children's sportshirts	5	6
T-shirts	4	1
Sweaters	3	1
Underwear	1	1
Foundation garments	2	0
Swimwear	3	0
Beachwear	4	0
Skiwear	4	1
Leather	1	0
Ladies' sportswear	6	6

<u>Garment</u>	<u>Number of Firms</u> (Canada)	<u>Number of Firms</u> (U.S.A.)
Lingerie	0	1
Dresses	4	3
Workclothes	0	2
Shorts	0	2

In order to analyze the study findings, each firm was categorized by sales volume, product diversity, and ownership as follows:

A. <u>Sales Volume</u>	<u>Canada</u>	<u>U.S.A.</u>
Below \$4 million	26%	0
\$4-\$10 million	34%	32%
\$10-\$25 million	40%	32%
Over \$25 million	0	36%

The average sales of sampled firms were:

	<u>Canada</u>	<u>U.S.A.</u>
Range	1.4 - 22 million	4.8 - 100 million
Average	9 million	21.5 million

B. PRODUCT DIVERSITY

- | | |
|----------------------|---|
| Staple | - (One product with one major construction) |
| One Basic Product | - (One product with the majority of the operations remaining similar on different styles) |
| Two Basic Products | - (Two products with the majority of the operations remaining similar on different styles within each product group - i.e. sportshirts and jeans in one factory) |
| Diversified Products | - (Same as other basic product categories but more than two dissimilar products) |
| Moderate Fashion | - (Single product or multiple products with many operations varying from style to style within a product group, yet many operations remaining similar. From cut to cut, the |

majority of the operators would perform similar operations as previously performed)

High Fashion

(From cut to cut, the majority of the operators would perform different operations from those previously performed - i.e. make 5 piece yoke for one hour, make bellows pockets for 2 hours, shir bodice for 2 hours, etc.

The product diversity for sampled firms were:

	<u>Canada</u>	<u>U.S.A.</u>
Staple	0	0
One basic product	18%	14%
Two basic products	10%	14%
Diversified products	24%	36%
Moderate fashion	48%	36%
High fashion	0	0

C. OWNERSHIP

- Conglomerate - (Firm is a division of a much larger company which may be comprised of soft goods, hard goods, and/or retail firms)
- Established Corporation - (Firm directed by at least second generation of owners or professionals not owning majority of the shares)
- Entrepreneur - (Firm is still directed by original founders)

The ownership distribution of sampled firms was:

	<u>Canada</u>	<u>U.S.A.</u>
Conglomerate	16%	36%
Established Corporation	16%	32%
Entrepreneur	68%	32%

From these catagories, the following can be stated about the interviewed firms:

- They were considerably larger than the "average" firms in both countries - (The average Canadian firm in 1974 shipped \$1.31 million while their American counterpart approximated \$1.42 million in shipments).
- The American firms were generally larger than the Canadian companies, however, two thirds of sampled companies shipped between four and twenty-five million dollars during 1976 in both countries.
- None of the firms sampled could be considered as staple or high fashion - however, from our observations of products manufactured, the Canadian companies classed in either diversified products or moderate fashion generally had broader product lines than their American counterparts.
- Some two-thirds of the Canadian companies were still directed by their founders whereas the American firms were directed by at least second generation or professional managers in two-thirds of the cases.

II. STATISTICAL COMPARISON

A. SIZE - APPAREL AND RELATED PRODUCTS

(Latest data available - 1974)

	<u>Canada</u> *	<u>U.S.A.</u> *
Number of Factories	1,874	21,485
Average Employees	47	70
Annual Growth Trend in Number of Plants	fairly constant	declining 3.5%/year
Percent over 250 Employees	not available	6.0%
Percent over 200 Employees	5.3%	not available
Value of Shipments	\$2.16 billion	\$31.38 billion

* Data for Canada includes only wearing apparel while the USA includes related products such as curtains and household furnishings.

The number of American plants employing over 250 persons is growing at the annual rate of thirteen percent. The decline in the number of American plants has occurred mainly among the very small plants.

B. GEOGRAPHICAL DISTRIBUTION OF FACTORIES (1974)

Quebec	70.4%
Ontario	20.6%
Manitoba	4.9%
British Columbia	2.1%
Alberta	1.1%
Saskatchewan	.4%
Atlantic Provinces	.5%
	<hr/>
	100.0%

C. IMPORTS *

	<u>Canada</u>	<u>U.S.A</u>
Units Imported as a Percent of Units Shipped (1976) *	not available	23 to 24%
Wholesale Value of Imports as a Percent of Wearing Apparel Shipped (1976) *	55.8% **	not available

* The figures include differing product categories and certain estimations and should not be considered as accurately comparable.

** In computing this percentage, the valuation on imports was F.O.B. source country. To this amount, 45 percent was arbitrarily added to cover duties, transportation, insurance fees, etc. Also, a gross margin of 30 percent was used in computing market value.

D. HOURLY WAGES OF PRODUCTION APPAREL EMPLOYEES

(Excluding Fringes)

	<u>Canada</u>	<u>U.S.A.</u>
1975	\$ 3.41	\$ 3.19
1976	\$ 3.93 (June)	\$ 3.38 (estimated)

E. APPAREL PRODUCTION EMPLOYEES AVERAGE WAGES BY PROVINCE

(June 1976 Excluding Fringes)

Quebec	\$ 4.02
Ontario	\$ 3.81
Manitoba	\$ 3.52

F. AVERAGE HOURS WORKED PER WEEK OF APPAREL PRODUCTION

EMPLOYEES (1975)

Canada	35.4 hours
U.S.A.	35.1 hours

III. COMPARISON OF MANUFACTURING PARAMETERS

(Based on firms interviewed)

A. USE OF ATTACHMENTS, WORK AIDS, AND LABOR SAVINGS DEVICES

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 39%	Good/Excellent: 68%
Poor/Fair : 50%	Poor/Fair: 18%
Fairly evenly distributed over smaller and larger companies with the conglomerates fairing no better than the entrepreneurs. The more basic firms somewhat better equipped than the fashion firms.	Poorer firms mainly in the fashion products and better firms evenly distributed over all categories.

B. USE OF AUTOMATION

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 32%	Good/Excellent: 68%
Poor/Fair: 35%	Poor/Fair: 18%
Larger and basic product firms better equipped.	Poorer firms mainly smaller entrepreneurs. Better firms evenly distributed over all categories.

C. OVERALL LAYOUT AND WORK FLOW

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 59%	Good/Excellent: 73%
Poor/Fair: 26%	Poor/Fair: 18%
Larger firms better. Basic and fashion equal as are entrepreneurs and pro- fessionally managed firms.	Poorer firms mainly fashion oriented.

D. OVERALL EMPLOYEE PACE IN SEW AND FINISH

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 44%	Good/Excellent: 65%
Poor/Fair: 35%	Poor/Fair: 23%
Larger firms significantly better than small companies. Fashion and basic products similar. Professionally managed firms better than entrepreneurs.	Poor firms mainly in fashion. Better firms equally distributed across all categories.

E. PIECE GOODS ON HAND

	<u>Canada</u>	<u>U.S.A.</u>
Under six weeks	64%	53%
Over sixteen weeks	14%	0

F. PIECE GOODS CONTROLS, STORAGE, AND HANDLING

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 60%	Good/Excellent: 67%
Poor/Fair: 29%	Poor/Fair: 24%
Larger, fashion oriented, professionally managed firms performing better.	Poorer performance among entrepreneurs.

G. FIRMS WITH FORMAL QUALITY CONTROL IN CUTTING

<u>Canada</u>	<u>U.S.A.</u>
22%	55%

H. FIRMS WITH INCENTIVES IN THE CUTTING DEPARTMENT

<u>Canada</u>	<u>U.S.A.</u>
17%	55%

I. CUTTING ROOM METHODS AND EQUIPMENT

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 43%	Good/Excellent: 50%
Poor/Fair: 29%	Poor/Fair: 41%
Larger, fashion oriented, professionally managed firms performing better.	Evenly distributed across all categories.

J. PIECE GOODS UTILIZATION CONTROLS

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 33%	Good/Excellent: 52%
Poor/Fair: 44%	Poor/Fair: 29%
Evenly distributed with larger firms being slightly better but style of products and professional management having little bearing.	Larger, professionally managed firms performing better.

K. FIRMS WITH INCENTIVES IN THE SEWING DEPARTMENT

<u>Canada</u>	<u>U.S.A.</u>
72%	95%
All the larger firms have incentives.	

L. FIRMS WITH FORMAL QUALITY CONTROL SYSTEMS IN THE SEWING DEPARTMENT

<u>Canada</u>	<u>U.S.A.</u>
19%	77%

M. FIRMS WITH FORMAL OPERATOR TRAINING PROGRAMS

<u>Canada</u>	<u>U.S.A.</u>
31%	48%

N. WORK-IN-PROCESS CONTROLS (Ability to Track Orders as Scheduled)

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 63%	Good/Excellent: 68%
Poor/Fair: 14%	Poor/Fair: 23%
Good controls in firms across all categories.	Good controls in firms across all categories.

O. WORK-IN-PROCESS AVERAGE ON HAND (Time to Process in Sewing)

	<u>Canada</u>	<u>U.S.A.</u>
10 days or below	48%	28%
11 - 15 days	32%	38%
over 15 days	20%	33%

(computed among the firms
with information on W-I-P)

P. OVERALL WAREHOUSE EQUIPMENT, LAYOUT, AND SPACE UTILIZATION

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 69%	Good/Excellent: 68%
Poor/Fair: 8%	Poor/Fair: 27%
Generally good across all categories.	Poor firms centering in the fashion oriented entrepreneurs.

Q. AVERAGE PAY OF SEW AND FINISH DIRECT LABOR

(1977) (Excludes Fringes)

	<u>Canada</u>	<u>U.S.A.</u>
Below \$3.51 per hour	19%	82%
\$3.51 - \$4.00	36%	9%
\$4.01 - \$4.50	25%	9%
\$4.51 - \$5.00	14%	0%
Over \$5.00	6%	0%
Highest in fashion oriented companies.		Highest in Northeast U.S.A.

R. LABOR AVAILABILITY

	<u>Canada</u>	<u>U.S.A.</u>
Firms stating that adequate labor currently available.	Urban: 72%	86%
	Rural: 89%	86%

S. FRINGE BENEFITS (of Firms with Information Available)

	<u>Canada</u>	<u>U.S.A.</u>
Range:	16 - 28%	12 - 32%
Average:	20%	23%

T. COMPANIES WITH FORMALLY TRAINED SUPERVISION (Forepeople)

Canada

U.S.A.

34%

60%

Professionally managed larger
companies proportionally better.

U. PROFESSIONALS HOLDING MIDDLE MANAGEMENT POSITIONS
THROUGHOUT COMPANY

Canada

U.S.A.

66%

77%

Larger, multi-product firms
nearly 100%.

V. PROFESSIONAL DEVELOPMENT PROGRAMS FOR MANAGEMENT

Canada

U.S.A.

49%

73%

Larger, multi-product companies
placing more emphasis.

W. RATIO OF SUPERVISION TO DIRECT LABOR

	<u>Canada</u>	<u>U.S.A.</u>
Less than 1 Supervisor per 20 direct labor	26%	21%
Less than 1 Supervisor per 21-25 direct labor	34%	29%
Less than 1 Supervisor per 26-35 direct labor	23%	36%
Over 35 direct labor per Supervisor	17%	14%

X. COMPANIES WITHOUT RESIDENT ENGINEERS OR FULL-TIME MECHANICS

	<u>Canada</u>	<u>U.S.A.</u>
Without Engineers	42%	14%
Without Mechanics	17%	5%

Y. COMPANIES WITH REGULAR NIGHT SHIFTS

<u>Canada</u>	<u>U.S.A.</u>
27%	23%

(Excluding 9% with night shifts
in cutting only)

Z. SEASONAL LAYOFFS

	<u>Canada</u>	<u>U.S.A.</u>
15-30% of workforce for at least 2 months	8%	14%
Over 30% of workforce for at least 2 months	3%	5%

AA. MANUFACTURING PERSONNEL COMPENSATION

	<u>Canada</u>	<u>U.S.A.</u>
1) Supervisors (Forepeople)		
Below \$180 per week	11%	45%
\$180-\$250 per week	51%	50%
\$250-\$300 per week	22%	0
Over \$300 per week	16%	5%
2) Mechanics		
Below \$200 per week	4%	17%
\$200-\$250 per week	36%	50%
\$250-\$300 per week	28%	16%
Over \$300 per week	32%	17%

	<u>Canada</u>	<u>U.S.A.</u>
3) Engineers		
Below \$12,000 per year	24%	27%
\$12,000-\$15,000 per year	6%	40%
\$15,000-\$20,000 per year	35%	33%
\$20,000-\$25,000 per year	17%	
Over \$25,000 per year	18%	
4) Plant Managers		
Below \$15,000 per year	3%	5%
\$15,000-\$20,000 per year	23%	45%
\$20,000-\$25,000 per year	40%	39%
\$25,000-\$30,000 per year	27%	6%
Over \$30,000 per year	7%	5%

IV. MERCHANDISING - MARKETING - MANAGEMENT - INFORMATION

A. RECENT ANNUAL SALES TRENDS (Dollar Volume 1974, 1975, 1976)

	<u>Canada</u>	<u>U.S.A.</u>
Growing	67%	73%
Stable	19%	14%
Declining	14%	14%

The firms not growing are mainly the small firms. They are evenly distributed among basic to fashion houses and among all types of management.

The firms not growing are concentrated among the large style oriented firms.

B. MAJOR COMPETITION

	<u>Canada</u>	<u>Canada Imports</u>	<u>U.S.A.</u>	<u>U.S.A.</u>	<u>U.S.A. Imports</u>
Menswear	55%	45%	13%	82%	18%
Womenswear	75%	13%			
Childrenswear	67%	33%			
Outerwear	43%	57%			
Sleepwear } Swimwear } Underwear }	71%	29%			

Varies upon price range, product, company size, degree of style, brand awareness, etc.

C. FIRMS WHO EXPORT

	<u>Canada</u>	<u>U.S.A</u>
Below 5% Total Volume	17%	5%
Over 5%	23%	9%

Principal country
is USA followed
by Europe.

D. SALES ACCOUNTS (A Chain with 55 Shipping Points = 1 Account)

	<u>Canada</u>	<u>U.S.A</u>
Range of Accounts	60-4,000	450-11,000
Average Number of Accounts	1,017	4,024
Range of Sales per Account	\$171-\$60,300	\$770-\$195,500
Average Sales per Account	\$15,900	\$25,997

E. SALES PER STYLE SHIPPED (1 Style = 1 Construction in 1 Fabric
regardless of Colors and Sizes)

	<u>Canada</u>	<u>U.S.A.</u>
Overall Range	\$741-\$288,400	\$8,300-\$833,000
Overall Average	\$42,400	\$96,300
Average of Moderate Fashion and Diver- sified Product Firms Only	\$32,700	\$57,850

F. TOTAL STYLES SHIPPED PER YEAR (Across all Lines and Seasons)

	<u>Canada</u>	<u>U.S.A.</u>
Below 100	17%	5%
101 - 200	20%	32%
201 - 300	9%	11%
301 - 400	9%	5%
Over 400	45%	47%

In both countries, the fashion oriented firms of course have more styles. In Canada, the smaller and larger firms both have the higher number of styles while in the U.S.A, the smaller firms sampled generally had fewer styles, thus maintaining a higher average sales per style than their Canadian counterparts.

G. USE OF A DESIGNER OR CELEBRITY LABEL

<u>Canada</u>	<u>U.S.A.</u>
19%	27%

H. IMPORT NO/OR VERY LITTLE PIECE GOODS

<u>Canada</u>	<u>U.S.A.</u>
18%	86%

Most imported fabrics come from U.S.A.

I. PERCENT OF SALES SPENT ON ADVERTISING

	<u>Canada</u>	<u>U.S.A.</u>
0%	23%	32%
Below 1%	40%	13%
1 - 2%	20%	32%
2 - 5%	14%	23%
Over 5%	3%	0

U.S.A. Industry
average approximate
1.7%.

J. PERCENT RETURNS (Companies with Data on Value of Returned
Merchandise compared to Sales)

	<u>Canada</u>	<u>U.S.A.</u>
Below .5%	25%	10%
.5 - 2.0%	36%	19%
2 - 5%	29%	61%
Over 5%	10%	10%

K. CUSTOMER SERVICE CONTROLS INFORMATION

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 61%	Good/Excellent: 68%
Poor/Fair: 19%	Poor/Fair: 14%

Evenly distributed across all categories.

L. MANAGEMENT CONTROLS INFORMATION

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 53%	Good/Excellent: 57%
Poor/Fair: 31%	Poor/Fair: 22%
Poorer companies generally the smaller entrepreneurs.	Poorer companies distributed among all categories.

M. FIRMS USING STANDARD COST SYSTEMS

<u>Canada</u>	<u>U.S.A.</u>
25%	55%

Used more by larger firms.

N. PRE-SEASON PLANNING CONTROLS

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 51%	Good/Excellent: 67%
Poor/Fair: 20%	Poor/Fair: 14%
Small firms have poorer controls.	Small fashion oriented firms having poorer controls.

O. PRODUCTION SCHEDULING CONTROLS

<u>Canada</u>	<u>U.S.A.</u>
Good/Excellent: 58%	Good/Excellent: 55%
Poor/Fair: 25%	Poor/Fair: 25%
Fashion oriented entrepreneurs having poorer procedures.	Poorer firms generally fashion oriented.

P. FIRMS WITH DEPARTMENTAL BUDGETS

<u>Canada</u>	<u>U.S.A.</u>
50%	73%

Q. WEIGHTED AVERAGE NET SALES ON INTERNALLY MANUFACTURED MERCHANDISE PER EMPLOYEE

<u>Canada</u>	<u>U.S.A.</u>
\$22,900	\$22,400

V. INDUSTRY IMAGE AND IMPORT STRATEGY

A. IMAGE

CANADA

- 1) The Ontario industry has been instrumental in aiding the professional development of the only college level apparel school in Canada.
- 2) Manitoba and Ontario manufacturers through their respective provincial apparel associations have developed and supported training courses and seminars for all levels of managerial personnel. The dress/sportswear segment of the Quebec through their association has offered

U.S.A.

- 1) The industry has given financial and managerial assistance to the development and ongoing support of five college level apparel/textile schools. These have been supplying the industry with technically trained, competent, professional managers. Their influence, both at the in-plant and community level, has been a positive factor on the entire industry image.
- 2) Some fifteen years ago, the industry developed a nationally sponsored and coordinated association (American Apparel Manufacturers Association) with

CANADA

professional development
courses to the middle
management level
personnel.

U.S.A.

a full time professional
staff. This association,
through its committees, has
prepared and distributed
considerable P.R. information
including films throughout
the American School system.

- 3) The International Ladies
Garment Workers Union has
undertaken a national adver-
tising campaign aimed at
promoting the industry image.
- 4) Major advertising campaigns
of nationally accepted brand
name firms have brought
improved respectability to
the industry.

B. IMPORT STRATEGY

CANADA

- 1) The industry both individually and through its regional associations has brought considerable pressure to the government through briefs and some amount of publicity.
- 2) Considerable efforts have been made, again individually and through the regional associations, to make all levels of government representatives (M.P.'s through the Prime Minister) aware of the hardships caused by increasing levels of imports.

U.S.A.

- 1) The entire industry has mounted a coordinated and quantified attack on imports to the various levels of government through the A.A.M.A. Full time professional lobbying is sponsored by this organization.

Several national apparel unions have undertaken lobbying strategies against imports. Also, they have obtained considerable media publicity supporting their stand against imports. Further they have effectively restrained member firms from importing certain categories of garments.

VI. KEY POINT SUMMARY AND COMMENTS

Overall, the Canadian apparel industry compares favorably with its American counterpart. Improvements here in recent years have added obvious strength to the management information and controls areas of many Canadian manufacturers. Similarly, in several of the larger professionally managed firms, the latest in sophisticated technology was observed throughout all areas of the enterprise. Although more raw materials are imported here than in the states, the wages have escalated at a more rapid rate here; both of which affect total costs - thus sales volume, Canada has experienced a much more rapid growth in the sales per employee (sometimes used as a measure of productivity).

The industries of both countries have areas where improvement should be sought. In Canada, relatively few firms appear to be taking advantage of the often substantial improvements attainable through basic engineering. Such items, as work trays, personnel trained in work simplification (working smarter - not harder) rolling trucks, relatively inexpensive thread cutting attachments, etc. were far too scarce here. Larger pieces of semi-automatic machinery were observed in many firms which had not first achieved the rather substantial savings to be realized from methods engineering with their present equipment.

Also, the highly lucrative area of formal material utilization controls receives too little attention. The total cost of materials far exceeds the total cost of labor in apparel firms and it is often relatively easy to reduce material consumption by three to six percent with proper systems and controls. The opportunities for cost reduction in this area deserve concerted attention by Canadian manufacturers.

In summary, however, even with its smaller markets and heavier concentration of entrepreneur controlled smaller firms, the Canadian apparel industry has made major strides and given time, has every indication of maturing in its sophistication to a very comparable level with its American counterpart.

The following points broadly summarize the principal findings of this study.

- A. Industry-wide, the average American apparel firm employs some seventy percent more people than their Canadian counterparts. Probably due to a more open recent immigration policy on the part of Canada, many of the firms sampled in Canada were led by their original founders (entrepreneurs).

Analysis of many of the factors relating to apparel manufacturing indicated that the better aspects of firms in both countries were more often observed in the larger, "established corporations".

Operating criteria evaluations of the professionally managed firms in both countries showed them to be closely comparable.

- B. While no effort was made in the sampling procedures to select firms on a style basis, analysis by style content of the firms indicated that the majority of firms in both countries are style oriented. The degree of style content of the Canadian firms was somewhat higher.
- C. To adequately manage sales, scheduling, work-in-process, and customer service, the Canadian firms sampled had controls equal to the Americans.
- D. Fewer Canadian firms sampled experienced seasonal layoffs than the Americans.
- E. More Canadians sampled were exporting than Americans.
- F. Compensation of management, staff, and operating personnel is higher in Canada, particularly in the direct labor area.
- G. The availability of labor does not appear to be a significant problem in either country at this time.

H. In the following areas, the total sample of American firms performed better than the total sample of the Canadians. Again, it must be stated that the larger Canadian firms performed better than the overall Canadian sample, and in some instances better than the American firms.

- Use of labor saving attachments and automation
- Overall operating personnel pace
- Piece goods utilization
- Formalized quality control
- Formalized operator training
- Supervisory training
- Use of professional development for staff personnel
- Use of resident engineers
- Use of budgets and standard costing techniques

I. The average firm in both countries ships approximately the same number of styles. This results in a significantly lower sales per style. Also, the sales per account are lower in Canada.

These factors cause Canadian manufacturers to have fewer garments per cutting and offers less continuity to the operating personnel. Both of these factors adversely affect productivity.

- J. The majority of Canadian firms import piece goods while relatively few of the American firms import. This causes increased lead times and inventories as well as higher costs. (Typically, forty to forty-five percent of sales volume is spent on piece goods).
- K. The 1976 sales per employee of sampled firms were approximately equal:

Canada - \$ 22,900

U.S.A. - \$ 22,400

A previously made sampling ("Census of Manufacturers", Morton Research Corp., January 1972) showed the sales per employee for 1971 as:

Canada - \$ 13,000

U.S.A. - \$ 19,100

If these samplings are at all comparable and indicative of the industry, Canada would appear to have improved its productivity in the apparel industry substantially during recent years.

When the 1976 figures are adjusted to compensate for higher wages and fabric costs, the Canadian output per employee remains somewhat behind the U.S. This must follow due to lower sales

per style and account. To offset this situation, the main areas offering improvement potential appear to be in the areas of professional development for both management and supervision, sewing room engineering principles, and material utilization. However, this is more difficult for the typically smaller Canadian firms due to lack of economy of size. As the industry matures into more professionally managed companies, normal competitive attrition should tend to have an ameliorating effect over this area.

- L. More Canadian manufacturers feel their major competition comes from imports than in the case in the U.S. With some three times more of the Canadian market being comprised of imports, this appears to be a warranted concern.

However, domestic productivity improvements may not be the total answer. A recently completed series of analysis by KSA covering jeans and trousers showed that on these garments ...

- for well organized American manufacturers
- including tariffs and other import related costs

- it was economically advantageous to import from the Far East mostly because:

(a) price advantages in fiber and therefore in fabric existed;

(b) when the exporting country subsidized its exporter in some fashion;

and not from fabrication price advantages alone.

Therefore, on these products, it may not be the economics of fabrication which present the problems for American manufacturers, but the economic policies of the exporting countries with reference to hard currencies or jobs.

One of the responsibilities of the Textile and Clothing Board is to review the plans of those industries which seek special measures of protection from imports. In the current clothing inquiry, a great deal of attention has been paid to technology, equipment and productivity. The Board has closely questioned manufacturers, in public and private, not only because of the Board's obligations to do so, but also because of the strong opposing opinions of consumer groups and others, who express doubts about the productivity and viability of the industry.

As indicated in Chapter V, the Board has taken a number of steps to determine in broad terms the productivity and efficiency of the Canadian apparel industry. One of these steps was a series of interviews conducted by a senior officer of the Board with a number of Canadian machinery suppliers to the industry. These interviews dealt with such subjects as plant modernization, the updating of equipment, and the suppliers' general views about the efforts of the Canadian clothing manufacturers to keep abreast of equipment developments. This appendix summarizes the results of those interviews. The machinery suppliers visited were:

American Sewing Machine Company - distributor of sewing equipment made by Rimoldi, a large European manufacturer of industrial sewing machines; distributor of specialized sewing equipment by U.S. Blind Stitch Machine Corporation, also supplies parts and attachments for these machines and sells other types of equipment as well as used sewing machines of all types.

Ideal Equipment Company Limited - North American distributor of Necchi industrial sewing machines, parts and attachments. The company has developed automated equipment adapted to Necchi machines, particularly for the manufacture of shirts. (Ideal

and Necchi have formed a joint venture for the world-wide marketing of equipment developed and manufactured in Canada by Ideal.)

Rubinstein Bros. Company Inc. - the largest Canadian supplier of machinery of all types to the clothing industry, representing over 150 equipment manufacturers. A subsidiary of Rubinstein manufactures and installs conveyor systems and other material handling and storage equipment for the industry.

Singer Company of Canada Limited, Industrial Division - distributes the various types of Singer industrial sewing machines as well as attachments and accessories for these machines, and other types of equipment for the clothing industry.

Union Special Machine Company - a subsidiary of one of the largest United States manufacturers of industrial sewing machines. The company offers over 600 different types of specialized sewing machines, as well as parts and attachments for these.

The above firms are by no means the only suppliers of equipment to the industry. There are several other machinery suppliers several of them of equal or greater importance than some of the firms visited. It is considered however that the five firms visited have provided sufficient information to form a valid opinion of the degree to which the Canadian clothing industry makes use of modern equipment.

There is a very close relationship between the machinery suppliers and the clothing manufacturing industry.

The clothing manufacturers look to the machinery industry for updating of machinery, supply of new machines and accessories, and adaptation of equipment to any particular company's needs, depending on the product made. They also rely on suppliers, particularly the smaller clothing firms, for service both to the equipment itself, and for advice on the use and layout of such equipment. The business of supplying equipment to the clothing industry in Canada is highly competitive, and the machinery suppliers are very much aware that the quality and quantity of services they provide to the industry are just as important as the quality and quantity of the equipment they sell. The machinery suppliers are therefore closely linked with the clothing producers in the continual battle for modernization and increased productivity, company by company, to meet the competitive forces of domestic and imported products.

The machinery companies visited considered that Canadian clothing manufacturers were as progressive as, -- and in some cases

more progressive than, -- their counterparts in the United States and Europe. They felt that the Canadian clothing industry was quick to adopt the latest developments in equipment and technology, wherever possible, particularly in the sewing operations. Due to the unsettled conditions of the latter part of 1976, they said there had been a slow down in machinery sales.

As in all industrial sectors, the degree of modernization varies from company to company. The larger companies with well-equipped plants already in existence, and with greater resources, are the most receptive to new developments. This is not to say, however, that some of the smaller firms are not just as progressive, but as a general statement, smaller companies are less able to afford large capital investments. Sometimes companies considering new equipment find, after a cost-benefit study, that automation is not more cost-effective.

Canadian machinery distributors say that while Canadian clothing firms are progressive, they do not generally make wholesale replacements, especially of large and expensive pieces of equipment, but tend to adopt improvements progressively, as resources are available. Machinery producers have recognized this and have developed modular equipment, particularly for specific sewing tasks; basic machines may accommodate a variety of added parts and accessories. Some larger clothing companies have well-defined machinery replacement programs which they follow year by year. They tend to keep abreast at all times of the latest equipment available in order to meet competition world-wide. Smaller producers, on the other hand, may adapt more, when they are offered new equipment and parts by machinery distributors.

Some of the sewing machine suppliers offer a service to clothing manufacturers whereby a complete survey of equipment can be conducted within a plant, and recommendations can be offered for modernization, additions, and replacements to meet that company's specific need.

The service given the garment makers by the machinery distributors is important; the smaller manufacturers especially depend upon the machinery distributors to provide replacement parts and to perform maintenance and repair work. Larger clothing producers may have in-house maintenance crews and repair facilities, but the smaller the company is, the less likely is this resource available within the company itself. Small companies will usually call upon machinery suppliers for most of their repairs and adjustments.

Obviously the type of product made determines the type of machinery used and to a large extent the degree of automation which can be attained. Those plants which consistently produce garments of standard construction where the fashion content is limited or is inherent in the fabric may use a greater degree of automation. In contrast, the higher the fashion content, or emphasis on quality, or variety of style in the items a plant makes, the less automation it will use. Highly-automated processes are used in plants which make men's shirts, underwear, foundation garments, swimwear and men's suits. Goods produced with less automation include high fashion dresses and gowns such as wedding gowns, some women's sportswear, and some children's wear. Manufacturers always use machines in part, even for high fashion and specialty goods, and companies are always looking for machinery to replace hand work.

The equipment manufacturers have specialized to a great degree in various types of sewing machines, which are of course the basic mechanical requirement for making clothes. Some sewing machine companies have developed large varieties of highly specialized equipment to perform specific sewing operations. Other suppliers have developed attachments and accessories which are designed around a basic sewing machine, to simplify basic operations, such as thread cutters, needle positioners and pocket setters. There are even attachments which simulate hand-stitching.

Some Canadian firms are now using highly developed computer operations in the manufacture of clothing. Pattern grading and marking systems controlled by computer allow increased productivity through reductions in fabric loss. One of the largest manufacturers in Canada has recently installed such a system designed to lay the cloth, mark the pattern, and cut the cloth with a laser beam, all under the control of a computer. There are few such highly sophisticated operations in North American industry.

There are other machines, developed for use in the finishing of garments, such as automatic seam pressing machines, automatic "hand-stitching" machines for ornamental finish, special collar makers, and fusing operations, commonly used in Canadian plants. Fusing has, in some plants, replaced a number of sewing operations, thus reducing the time required to make a garment without diminishing its quality.

Modern material handling is another technological improvement which has been adopted on a large scale by Canadian clothing manufacturers. Automated conveyor systems have been installed in many manufacturing plants, eliminating the work involved in

the older manual systems of boxes, crates and bundles. As these automated systems become more prevalent, more companies will enjoy orderly work environments, flexibility and rapidity in handling their product, as well as better stock control.

Shipping and storage systems have not been overlooked. Clothes can be delivered on hangers, in their containers, ranged according to size, ready for the retailer to place on racks for the consumer. This is a service welcomed by retailers who benefit not only from labour savings, but also from the condition of the product to be displayed.

Although the study on machinery was relatively limited, and only the highlights have been discussed above, it can be concluded that for the most part, Canadian manufacturers are seeking out and utilizing improved methods and procedures to increase efficiency and productivity. Through replacement, adaptation, and updating of their equipment, they strive to be competitive in a modern world. In the opinion of machinery suppliers to the clothing manufacturers Canadian firms are as eager to be in the forefront with new equipment as manufacturers in the United States and Europe.

Memorandum to Mr. Gordon Bennett, Chairman,
Textile and Clothing Board, March 24, 1977

At the end of the Board's public hearings, you asked interested groups to provide you with a brief paper entailing "objective and practical solutions which, in the long term, will best serve the interests of Canada as a nation and not particular interests". You noted that you would expect us to employ a statesman-like approach.

The following groups have engaged in a series of intensive consultations in an effort to develop a consensus on how to respond to your request:

The Retail Council of Canada
The Canadian Textile Importers Association
Apparel Manufacturers Institute of Quebec
Apparel Manufacturers Association of Ontario
Manitoba Fashion Institute
British Columbia Fashion and Needle Trade Association
Centrale Des Syndicats Démocratiques
United Textile Workers of America
Amalgamated Clothing & Textile Workers Union of America
International Ladies Garment Workers Union
The Canadian Textiles Institute

The task you set for us was not an easy one. After these discussions, the following points of consensus have emerged. The various points of consensus constitute recommendations to the Board. It should not be assumed that they meet fully the concerns of any party to these discussions. The acceptance on the part of any participating group of any individual section of these recommendations is contingent upon the development of an acceptable overall package.

One of the underpinnings of the consensus is the establishment of a Technical Committee. This Technical Committee

would be a body of knowledgeable and informed people, representing the major functional components of the textile and clothing industry - apparel and textile manufacturing, labour, importing and retailing.

Members, or representatives, of the Committee would meet as required, to develop input and to make recommendations to the Textile and Clothing Board. This would provide a pre-sifting of such input, hopefully leading to consensus. At the very least, it would provide a forum for discussion within the industry sector and thus provide a reasoned viewpoint to the government rather than each self-interest group presenting a diversity of facts mixed with opinion and then leaving government agencies to sort it out.

For administrative purposes, it is recommended that the Committee be composed of 12 people (3 apparel, 2 textile, 1 union, 3 retailers and 3 importers). This would provide permanent points of contact. However, this is not intended to limit the body of expertise both within the industry and externally from which individuals can be drawn to consider topics as required.

The functions of the Committee would include, but not be limited to:

- a Estimation of the total market for clothing on a yearly basis.
- b Estimation of the work force and examination of progress towards attainment of the employment goal.
- c Recommending to government bodies, means and formats of gathering statistical data.
- d Analysis of product-line mix and interchangeability of goods.
- e Assessment of satisfaction of market demand.
- f Recommending modifications in product coverage and quota levels, product line mix, product interchangeability and market share formula, to meet changes in market requirements as they occur.
- g Development of product definitions as necessary.

This Committee will operate in a spirit of constructive co-operation on the basis of good faith with its main objective being to develop consensus which should not unreasonably be withheld.

The undernoted points were discussed during these meetings. The points of consensus, in conjunction with the aforementioned Technical Committee structure represent a packaged plan having as its purpose the provision of an appropriate competitive framework to the domestic manufacturing sector, during a period to be utilized for the strengthening of its base and ensuring that the needs of the consumer are met.

1 Duration of Import Controls

The Retail Council of Canada, the Regional Apparel Manufacturers Associations, the Canadian Textiles Institute and the unions agree that import restrictions should be introduced for a five-year period beginning in 1977 with provision for a comprehensive review in 1980 to be complete by the middle of that year.

The C.T.I.A. position is that restrictions should be introduced for a maximum period of 3 years beginning in 1977 with provision for a review before the end of each year. This would provide enough flexibility to rapidly adapt the control policy to changes in the Canadian consumer market or in the world market economy.

2 Country Coverage

Imports of the apparel items in question should continue to be subject to import licensing. Quantitative limitations for the period beyond 1977 need not apply to the developed countries. That is, licenses should be freely issued in respect of imports of apparel manufactured in U.S.A., E.E.C., E.F.T.A., Japan, Australia, New Zealand and Israel. However, if the government considers that its international obligations will not permit it to liberalize the current restrictions on this basis, the global restrictions should be continued rather than sacrifice full Canadian control over the quotas, which is essential to their effective implementation, with appropriate adjustments in the quota levels described in Paragraph 3.

3 Base Level and Growth

The Retail Council of Canada, the Regional Apparel Manufacturers Associations, the Canadian Textiles Institute and the unions agree that imports of apparel originating in the developing and state trading countries be limited through 1978 to the level of imports of the products concerned from the affected countries

in 1975. They foresee no need to limit under these special measures of protection, growth or quantities of imports manufactured in the developed countries listed in the previous paragraph. These groups agree that their common goal is to limit imports effectively so as to permit the return to 1975 employment levels. All participants expect this goal will be achieved prior to 1979. The Retail Council believes that there will be a need for a return to absolute growth in imports to meet consumer demand. Some of the other participants supported this view. The growth is expected to take place at a rate equivalent to one-third of market growth.

If it appears that the textile and apparel employment goal will not be attained before 1979, the matter will be referred to the Technical Committee which will determine whether market conditions will require such import growth. If, on the other hand, the employment goal is achieved in 1977, the 1978 level will be increased accordingly.

Considering that global restriction is the best solution from both the economic and political standpoints, the C.T.I.A. recommends that importers be allowed a full 100% of their 1975 level an absolute minimum, which in effect is a 10% increase over the present 1977 rate. Should any provisions be required for new market entrants, this figure should not be deducted from our performance. Provisions for new entrants should be ex-quota. This would allow for a rapid return to the 1975 domestic share of market and may allow for growth in employment. It is our general belief that an absolute growth in imports will be needed to meet consumer demand. The yearly review will provide the opportunity to re-assess quota levels as needed. It is of paramount importance to our membership companies at large, particularly the smaller and specialty importers dealing in a few commodities, that provision be made for a yearly increase of 10% annually from 1978 onward. For many of our members the alternative would be extreme hardship or closure.

All parties agree that it is important to ensure that all importing entities make every effort to ensure the interests of low wage earners are served.

It is recognized that it will be extremely difficult to envisage growth in imports in the most seriously affected categories. Those categories which have been identified to date are men's and boys' shirts, sweaters and outerwear. This provision also relates to men's fine clothing.

4 Administration of Quotas

The Retail Council of Canada, the Regional Apparel Manufacturers Associations, the Canadian Textiles Institute and the unions agree that quotas should be allocated and administered in Canada. In accordance with our understanding of past practice, 10% of the quota should be reserved for new entrants. Country reserves should be established for Hong Kong, The Republic of Korea, Taiwan and The People's Republic of China. The remainder of the quota should be placed into a basket where it can be utilized to import from any other restricted country.

They strongly urge that entitlement to quota for 1978 be established on the basis of individual importers relative share in imports in each category during calendar year 1976, because this will ensure a participation in the import market which is closer to current participation patterns than exists under the interim quota regime. The quotas should not be issued on a use it or lose it basis.

The C.T.I.A. strongly objects to any isolation of Hong Kong, Korea, Taiwan and The People's Republic of China. This freedom for importers to buy from any country is absolutely essential. Considering our extreme quantitative limitations and compounded by the advance in value for duties in certain countries and their resulting loss of competitive advantage, it is absolutely imperative that the importer have complete and total flexibility in buying - consistent with changing world markets.

Importers should be allowed to use their licenses globally both to the mutual advantage of the importer and the consumer.

The C.T.I.A. further recommends that entitlement to quotas be established on the basis of individual importers' performances for each product category during the calendar year 1975, thus avoiding further market disruption in existing marketing patterns and avoiding unnecessary administrative costs. This further serves to reduce imports by non-traditional importers to the advantage of domestic manufacturing capability and employment.

5 Inter-Product Flexibility

To the extent that any product category is under-utilized, individual importers may increase quota entitlements in other categories by up to seven percent on a non-cumulative basis. Such transfers are to be based on agreed conversion factors. While unutilized quota for outerwear, sweaters,

men's and boys' shirts and men's fine clothing may be transferred into other product areas, importers may not swing into the four aforementioned categories. This matter will be reviewed by the Technical Committee for the 1979 quota year and beyond.

This provision is of a general nature and it is recognized that there may arise exceptional and extraordinary circumstances including the cases of small or specialty companies who import a limited number of categories, when these general rules should be modified. In these circumstances, cases shall be referred to the Technical Committee where they will be resolved with a minimum of delay.

6 Quota Year

The Canadian Textile Importers' Association, the Regional Apparel Manufacturers Associations, the Canadian Textiles Institute and the unions consider that quotas should be issued and administered on a calendar year basis. The Retail Council strongly recommends a quota year running from December 1 to November 30. The unions, the Regional Apparel Manufacturers Associations and the Canadian Textiles Institute are prepared to accept the introduction of a new quota year starting for 1979, that is, running from December 1, 1978 to November 30, 1979. It is understood that the 1978 quota will be reduced by 8 1/3 percent since that period will be eleven months duration.

7 Carry-Over

The Regional Apparel Manufacturers Associations, the Canadian Textiles Institute and the unions, notwithstanding the absence of any requirement in the M.F.A., are, in the context of an acceptable overall package, prepared to agree that individual importers be permitted to carry over up to 5 percent of unutilized quota in each category from one quota year into the subsequent year in order to deal with shipping delays, etc. This carry-over is to be utilized during the first three months of the subsequent year. This is a general rule only, designed to provide importers with some flexibility. To accept greater carry-over could result in an over-concentration of imports in a given marketing period which could pose unacceptable risks to Canadian workers.

The Retail Council and the Canadian Textile Importers Association considers that the 5% carry-over should not be related to individual product entitlements but to an importers total entitlement. They propose this type of

flexibility because experience has shown that despite their earnest endeavours, a substantial percentage of deliveries arrive late and would not be covered by the manufacturers/union proposal because of a large number of vagaries in the market. Retailers, while keen to match the timing of deliveries to selling patterns, therefore feel that the very minimum acceptable is application of a 5 percent carry-over provision to importers total entitlements rather than to individual categories. These categories, or any category, may be very small for any one importer and thus inadequate. They foresee no substantial injury to domestic trade.

All groups agreed that cases of extraordinary and exceptional delays or commercial disruptions such as labour disputes and shipping irregularities should be referred to the Technical Committee for prompt resolution.

8 Scheduling of Imports

The Regional Apparel Manufacturers Associations, the Canadian Textiles Institute and the unions consider that quotas should be utilized in such a way as to ensure regular importation of merchandise throughout the year, preferably in roughly equal amounts each quarter. This general rule would, of course, be adjusted to take account of seasonal merchandise. We must try to avoid distress selling which may disrupt the production schedules of Canadian manufacturers. In order to keep costs and overheads down, we must try to maintain production at a steady level throughout the year. Surges in imports may cause factories to lie idle for some periods and result in heavy activity, short lead time situations at other times of the year.

In the views of the Retail Council of Canada, division of quota by period is inappropriate. One of the most important aspects of retail and wholesale control, affecting profitability, is the maximization of "turns". Merchants attempt to keep their average stock level as low as possible while at the same time providing sufficient choice to the customer.

In order to satisfy these requirements, merchandise is ordered to arrive in stock as closely as possible to the anticipated selling period. It can readily be shown that for most products there is a peak in sales in spring and another at Christmas. Sales vary on a month-by-month basis and many items are affected by weather conditions and moving holidays.

The suggestion that imports of non-seasonal merchandise could be brought in in roughly equal amounts by calendar

quarter, would force retailers and importers to carry higher inventory levels than would be consistent with sound economic practice and would severely upset the carefully orchestrated balance between stocks and sales. The market is, it is submitted, discipline enough.

The C.T.I.A. concurs with the Retail Council that quotas should be granted on a yearly basis, and that all importers - whether they be retail importers, manufacturer-importers, or traditional importers - undertake to purchase their requirements in a manner consistent with their customer demands. Any attempt to regulate this in any other manner is totally inconsistent with importing practice where delays and short shipments are inevitable.

9 Product Exemptions

The C.T.I.A. position is that to protect products with restraints that are not manufactured in Canada is totally ludicrous and inconsistent with Canada's trade practices or the needs of our economy.

The Regional Apparel Manufacturers Associations, the Canadian Textiles Institute and the unions, on the other hand, are of the firm view that the quotas are large enough to import those products which are not manufactured in Canada. The exemption of developed countries should minimize any difficulties in this area.

The Regional Apparel Manufacturers Associations, the Canadian Textiles Institute, unions and the Retail Council recognize that there remain some small volume specialty or ethnic products for which exemption will be recommended on a case-by-case basis by the Technical Committee.

- 10 Quota entitlements should be announced as far in advance of the next quota period as possible. All parties to this memorandum urge that your report be presented to the Government as early as possible and that it be dealt with by May 10, 1977 for quota year 1978. For subsequent quota years, quota entitlements should be announced during the first calendar quarter of the preceding year.

(Note: this memorandum has been signed by officers of each of the groups listed below)

The Retail Council of Canada

The Canadian Textile Importers Association

Apparel Manufacturers Institute of Quebec

Apparel Manufacturers Association of Ontario

Manitoba Fashion Institute

British Columbia Fashion
and Needle Trade Association

Centrale des Syndicats Démocratiques

United Textile Workers of America

Amalgamated Clothing & Textile Workers
Union of America

International Ladies Garment Workers Union

The Canadian Textiles Institute

During the course of the clothing inquiry the Board examined the plans submitted by manufacturers in the form of adjustments to the continued efficient development of their operations and the phasing out of lines of production which had no prospect of becoming internationally competitive. The table below indicates the responses of some 300 manufacturers which were surveyed by the Board:

Adjustment Plans Contemplated by Producers

	No	Yes
Capital Investment	41	83
Upgrading Existing Quality	21	105
Add Some Product Lines	45	76
Concentrate in Specialized Lines	38	72
Upgrade Styling	22	100
Modernize Operations	31	96
Integrate Vertically	84	9
Utilize Professional Engineers	63	82
Relocate Operations	78	19

These companies were requested to provide details of specific plans to improve their operations. The following information was provided on investment and modernization plans for the near future:

Financial Disbursements Contemplated by Producers

Plant Improvement	\$ 210,000
Machinery and Equipment	\$2,095,000
Expansion	\$1,675,000
Quality Control (Computer Equipment)	\$ 360,000
Designer	\$ 40,000
Engineering Fees	\$ 35,000
New Plant	\$2,267,000
Unspecified	<u>\$1,705,000</u>
	\$8,387,000

Of the 76 companies intending to add product lines, individual responses indicated that the following specific lines would be required: sportswear, children's and juniors' wear, slacks and T-shirts, ladies' outerwear, boys' wear, high quality ladies' and young men's leisure wear. Companies responding mentioned a variety of ways of accomplishing this end: franchise out their labels, introduce a new product line for a provincial market, become a licensee of an international fashion house to make Canadian apparel with the aid of international styling and label appeal, and develop lines similar to those with proven market appeal for different age groups.

With respect to those companies with plans to modernize and utilize professional expertise, the Board received specific details respecting planned introduction of computerized marking and cutting, proposed hiring of engineers, studies to be instituted involving provincial research institutes and federal government expertise to streamline production lines.

A few companies indicated plans for setting up branch plants in the United States to circumvent high American import duties and to overcome high Canadian labour costs.

In addition to submitting plans for adjustments in the nature of continued efficient development of their operations,

a number of companies indicated they were phasing out lines such as leisure wear, work clothing, boys' wear, parkas, infants' and children's wear and terry robes. The primary consideration mentioned by Canadian producers in phasing out these lines was their failure to compete with low-cost imports.

ARTICLES OF CLOTHING SUBJECT TO BILATERAL
NEGOTIATIONS

Appendix 11

Countries with which bilateral arrangements should be negotiated, showing the specific clothing items, by control number, for each country. In accordance with Recommendation 2.

COUNTRY		IMPORT CONTROL LIST GROUPS																
		32	37	38	39	40	41	42	43	44	45	46	47	48	49	50	*	
1	ARGENTINA											X		X				
2	BRAZIL		X			X		X					X		X			
3	CHINA, P.R.	X	X		X	X		X			X	X	X		X	X	X	
4	COLOMBIA		X	X	X								X					
5	CZECHOSLOVAKIA		X										X					
6	HONG KONG	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
7	INDIA			X				X							X		X	
8	KOREA, D.P.R.												X					
9	KOREA, Republic of	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
10	MACAO		X													X	X	
11	MALAYSIA				X												X	
12	MEXICO		X								X			X				
13	MOROCCO															X		
14	PAKISTAN							X			X				X		X	
15	PHILIPPINES	X			X			X	X		X		X		X	X		
16	POLAND				X	X	X					X	X		X	X	X	
17	PUERTO RICO		X															
18	ROMANIA		X								X	X	X		X	X	X	
19	SINGAPORE		X		X								X					
20	TAIWAN	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
21	URUGUAY											X		X				

*Shirts, men's and boys', dress, work and sport, made from woven or knitted fabric, with tailored collar, front opening, and long or short sleeves.

See next page for a description of the clothing items included in the above control numbers

DESCRIPTION OF CLOTHING ITEMS, BY CONTROL
NUMBER, EXTRACTED FROM THE IMPORT CONTROL LIST
as of January 10, 1977 (Export and Import Permits Act)

- 32 Outerwear garments commonly referred to as
 - (a) Snowsuits, snowmobile suits, ski suits and ski pants, and
 - (b) Jackets and vests, including parkas and ski jackets, that have an outer shell manufactured substantially from woven fabrics and that are lined and designed to protect the wearer against cold and inclement weather
- 37 Pants, including jeans, slacks, shorts, overalls and coveralls
- 38 Unstructured or leisure suits, including unstructured sports coats and blazers
- 39 Blouses and ladies' shirts, including T-shirts and sweat shirts
- 40 Pyjamas and sleepwear
- 41 Raincoats
- 42 Sportswear, including dresses and co-ordinates
- 43 Foundation garments
- 44 Swimwear
- 45 Underwear
- 46 Top coats, overcoats and outerjackets, including duffle coats, suburban coats and pant coats
- 47 Men's fine suits and jackets, including sports coats and blazers
- 48 Leather coats
- 49 Men's and boys' shirts, including T-shirts and sweat shirts
- 50 Sweaters, pullovers and cardigans

In the late 1960's a number of representations were received by the Federal government from the textile and clothing industries, from labour, and from provincial authorities, expressing the view that the government's approach to the problems faced by the industry was having less than satisfactory results. The industry's concern was centred mainly around the problem of low-cost imports which, until the mid-60's, had been confined primarily to cotton products covered by the LTA. Following 1965, the low-cost import problem had become much more complex, with the arrival into Canada from several low-cost Asian countries as well as Eastern Europe, of large quantities of products made from man-made fibres and blends of man-made and natural fibres, products which were not subject to the provisions of the LTA. The industry contended that, with rapid shifts occurring in the sources and composition of world textile trade, government action was too little and too late, and was causing uncertainty in the industry and creating difficulties for the firms which wanted to develop their future plans. Labour generally supported the industry position. Provinces where textile and apparel production was an important segment of the economy also expressed considerable concern about the impact of low-cost imports on the textile and apparel industry.

To help alleviate this serious problem, the industry recommended the establishment of a policy framework within which it could more effectively plan and fulfill its rôle with a somewhat more satisfactory insight into how it should conduct its activities. The industry was requesting the government not only to give a clear statement of its intention but to provide more effective measures against low-cost imports, including the imposition of controls on imports of low-cost textiles. The government, realizing the significance of the problem, undertook to examine the impact on the textile and clothing industries of existing

mechanisms used to deal with problems concerning imports, and to study the effects of policies and programs of other countries, as well as examine recent developments regarding competition, market and technological changes. From this examination came the National Textile Policy of 1970.

Apart from domestic considerations there were a number of other factors which made the government's examination opportune. These included a review by the United States, the E.E.C., the United Kingdom, and Sweden, of their textile policies. These countries wanted to improve their efficiency and international competitiveness. The re-negotiation of the arrangement regarding International Trade in Cotton Textiles was due to start shortly, and in this context it appeared desirable that Canada's posture in these negotiations should take into account the long-term prospects for the development of the textile and apparel industry in Canada.

Until 1970, the government had relied on several mechanisms to deal with the problems the industry faced from imports. Actions taken had been designed primarily to provide protection against foreign competition, while allowing more gradual changes in the market and trading environment. The mechanisms used fell under four main headings, namely (1) the custom tariff, which had been the principal instrument used, (2) voluntary export restraints negotiated with the so-called 'low-cost' countries, (3) occasional surtax measures and (4) innovation and adjustment assistance.

The customs tariff protection accorded the textile and clothing industry was considered to be substantial. The government's policy had been to allow the free play of market forces within the confines set by the tariff structure in place at that time. In the period 1945-1960, tariffs on textiles remained about the same as the pre-war level. Modest reductions resulting from the original GATT negotiations had had little effect on the domestic industry. However, the granting of MFN treatment to Japan in 1954, under the Agreement on Commerce concluded between Canada and that country, brought about a substantial change in trade between the two countries. Japan had geared up its textile output and was in a position to export sizeable quantities of textiles into Canada, which they did. Coupled with this new development, the United States was left with excess capacity following cessation of hostilities in Korea, and this led to a resurgence of exports from the United States into Canada. The problems created by these developments were in part responsible for a major review of textile tariffs by the Tariff Board in 1957. The finding of that Board showed the industry to be in sound health financially and confined its recommendations mostly to removal of certain anomalies in the tariff structure and updating of nomenclature.

The Kennedy Round concessions saw Canada grant tariff reductions on textiles of about 3 percentage points, reducing the average incidence of the tariff from about 24 percent to 21 percent.

With regard to voluntary export restraints, Canada, since the late 1950's, had been relying on negotiated restraint arrangements as special protection against low-cost imports, which were causing or threatening to cause disruption in the domestic market, for several product groups, including textiles. The objective was to have the supplying countries recognize the need to develop their sales to Canada in an orderly fashion, in order to avoid situations which would cause Canada to take more restrictive action. Restraint levels were based on past performance, with the provision for annual increments where conditions permitted.

As imports of synthetics and blended products continued to increase, the government in the late 1960's had to negotiate satisfactory levels of imports before they reached damaging levels. In addition, as the number of low-cost suppliers grew, it became necessary to add products to restraint lists. With the increase in the number of low-cost countries having Voluntary Export Restraints arrangements with Canada, the question also arose concerning the ability of these countries to administer adequately the agreed restraint levels. In some cases, it was discovered that overshipments had occurred, resulting in the agreed level being surpassed. It was also argued that the negotiation, or re-negotiation, of existing arrangements was often protracted, resulting in damage to the industry before the implementation of the arrangements could take effect. The industry indicated that the uncertainty, concerning both the levels of restraint during any specific period as well as the overall thrust of the low-cost import policy, was not conducive to the industry's long-term planning.

Other measures used to cope with import problems included the use of a surtax, and provisions of other Acts concerning valuation and tariff application.

The environment in which the textile and clothing industry operated was also influenced by a number of other government measures designed to assist the Canadian industry generally in adjusting and becoming more competitive. These measures included manpower programs, the General Adjustment Assistance Program and regional development incentives.

The existing mechanisms, applied in ad hoc manner, had served to foster some adjustment to changing market conditions and to prevent serious disruption in the textile and clothing

industry, but it was now becoming increasingly apparent that these mechanisms needed to be re-examined in the light of rapidly changing market conditions to see if they still offered a sound basis for long-term development of the industry.

As a result of its examination, the Federal government decided to develop a long-term policy having as its principal objective the creation of an environment within which the Canadian textile and clothing industries could better develop and better plan their activities, in the context of the challenges of the 1970's. It was hoped the textile industry would achieve optimum potential and maximum contribution to the Canadian economy with a reasonable degree of certainty, while at the same time the policy was to take into full account the complex range of Canadian interests, both domestic and international.

THE 1970 NATIONAL TEXTILE POLICY

The new policy was designed to cope with the problem of low-cost imports by creating formal procedures to investigate the effect of imports on the domestic industry and recommend protective action should this be required. It was also to provide industry with positive inducements for increasing efficiency, in order to be able to meet international competition in the market in Canada, while ensuring that the adjustment process would not mean serious dislocations for either companies or workers. The government hoped that this protection would enable the industry to adjust to the world market, so that the industry could carry on with tariff protection only.

The government made no advance commitment about providing special protection. It indicated, however, that it was prepared in cases of serious injury or threat of injury from 'low-cost' countries, to accord special protection. This special action would be unilateral when necessary, and would be taken in order to facilitate adjustment, or to strengthen potentially strong lines of production. This special protection would be kept under review, and the government would consider the possible effects on consumers of protection measures.

In implementing the policy it was made clear that there would be no measures applied to ensure the maintenance of lines of production that have no prospects of becoming competitive with foreign goods in the Canadian market. The industry was expected to phase out the least competitive lines and concentrate on those lines with the highest competitive potential.

In this connection it was considered that the textile and clothing industry had made significant adjustments, and companies were as efficient technologically as those of any other country,

including low-cost countries, and capable of competing with producers in other western economies.

At the same time it was recognized that because of the small domestic market, full competitiveness in many products would only be achieved if the world textile trade were liberalized. While prospects for liberalization did not appear promising at that time, Canada was prepared to join with other countries in efforts towards this end, including a reduction of textile tariffs. In the meantime, the industries were to improve their competitiveness to the point where they could take advantage of any export opportunities.

The government recognized that two factors would have to be taken into account: the impact of the economic stability of the country on employment since plants tend to be located in areas of high unemployment, and the effect on regional development.

The policy contained four mechanisms to achieve its objectives:

- 1 Formal mechanism to determine injury, to examine plans, and to make recommendations - this is the Textile and Clothing Board
- 2 Commercial policy measures concerning the regulation of imports
- 3 Manpower support measures
- 4 Industrial technology and export development measures

The principal new feature of the policy was the creation of the Textile and Clothing Board, a body to assist in implementing the objectives of the policy. The Board was established by an Order in Council in 1970, and was confirmed by Bill C-215, The Textile and Clothing Board Act of 1971. The Board does not administer programs, but has the responsibility to:

Examine problems of the textile and clothing industry relating to threat from imports

Recommend to government appropriate measures of special protection

Keep all measures of 'low-cost' protection under review, modifying where necessary; review progress of industry's adjustment and anticipate adverse developments

In making its recommendations, the Board must take into consideration the following factors:

Relevant manpower and regional considerations

Relevant international agreements (the GATT, the ITA)

Probable effects of proposed recommendations
on consumers

Conditions prevailing in international textile
trade

THE BOARD'S EXPERIENCE IN THE IMPLEMENTATION OF THE TEXTILE POLICY

The Board considers that the policy has been workable in dealing with low-cost problems in the past; however, with the rapidly-changing conditions internationally, the Board considers that the degree of certainty in the environment has not yet been achieved.

In 1970 the government believed that increased technology emphasis on style and design, and new synthetic yarns and fabrics, would combine to make Canadian suppliers more competitive, and would counteract the advantage held by low-cost producers. Canadian manufacturers faced the need to specialize, however, and to convert to new processes and products, while upgrading style and design. They also had to expand their export trade.

The advantages held by low-cost producers have not diminished, however. Rather, the pressure from low-cost imports has increased, and they are no longer confined to standard types of products. Through mobility of capital and technology, especially for the manufacture of clothing, low-cost countries now export high quality items. Importers have been able to take advantage of air cargo technology, and can respond quickly to demands by the Canadian consumers, as well as those of other countries. The present world trading environment makes any change unlikely in the foreseeable future.

In carrying out its mandate, the Board has also been confronted with a number of problems regarding industry planning. The Act requires firms to file plans of adjustments with the Board, describing the product lines which will be developed, or phased out, in order to increase their ability to compete with imports. But the Board's experience has been that some firms are reluctant to make important medium to long-term investments without assurance of a market for their product.

A SUMMARY OF VIEWS EXPRESSED TO THE BOARD IN RECENT HEARINGS

Manufacturers, retailers, importers, labour and consumers expressed their views to the Board on the policy and its application, in the recent hearings.

Manufacturers saw the principal objective of the policy as the creation of an atmosphere of certainty for investors, and as a means to obtain a reasonable share of the market, and for this reason they see import quotas as necessary. They are critical of the policy because it manifestly has not achieved this goal, as is clear from the problems facing the industry today. Unions also see import restraints as necessary. They argue that because of high imports, the industry employed 75,000 workers less, in 1976, than it could have done. They also claim that there is little difference in output per manhour in Canada from other countries, but because technology can be moved easily, increased efficiency on the part of Canadian manufacturers will not be sufficient to make Canadian producers competitive on the world market.

The Consumers' Association believes the Textile Policy to have three areas of concern: protection, viability of Canadian products, and adjustment of the Canadian industry to increased efficiency levels. The Association concludes that the Board has emphasized protection at the expense of the other two, and is critical of the burden placed on the consumer from restraint protection. They conclude that on the price and supply effects of quota restraints "... the costs to consumers of widely expanded restraints on clothing imports will be inordinately high and these costs will bear most heavily on low-income families".

The Canadian Textile Importers' Association is critical of the policy because it has not brought about the 'long-promised improvements' to the apparel industry.

Retailers generally agree with the consumers' spokesman that the Board has allowed the protectionist measures to dominate, in carrying out the policy.

Many criticisms were levelled at the administration of the policy. The primary sector of the manufacturers said the decline in their share of the market, and the resulting malaise, were the direct result of the ineffectual, indecisive and lethargic manner in which the policy has been implemented. In addition to this general problem, the manufacturers see three areas of administration which militate against an effective policy:

- (1) the Board's selective commodity-and-country approach;
- (2) the one year duration of protection, and
- (3) the Board's tendency to remove restraints or refrain from recommending new

ones on short-term market considerations. Other sectors of the textile and clothing industry, consumers, retailers, and importers, had opinions on these subjects as well.

THE BOARD'S SELECTIVE COMMODITY-AND-COUNTRY APPROACH

Manufacturers compare the Board's approach with the United States' practice of negotiating agreements with low-cost exporters in which yarns, fabrics and garments are included. They view the Board's deliberations in dealing with specific products from particular countries as being piece-meal. They argue Canada's approach has fostered the practice among manufacturers of importing, and has ignored the systematic upgrading of Canadian raw materials.

The unions also state that the rapid increase of imports over a broad range of products suggests the need for a new approach to import controls, one which is not so narrow. The Centrale des Syndicats Démocratiques (CSD) contends the Board has interpreted its mandate as a narrow, 'case-by-case' approach to industry problems. The CSD points out that the policy provided for a phasing-out of uncompetitive lines, and acceleration in product lines which could be competitive. They feel the 'case-by-case' approach hinders the Board from arriving at a conclusion as to whether a particular commodity is in fact uncompetitive.

On the other hand, the textile importers and retailers represented by their respective associations, have generally favoured the more limited restraints. They argue such protection should not be an end in itself, but should be a means, and a temporary means, to the protection of the viable segments of the industry. The importers agree that quotas are reasonable where threat of injury actually exists, and can be demonstrated, and they add that these controls should be global.

THE ONE-YEAR DURATION OF PROTECTION

Primary manufacturers are critical of what they see as the Board's interpretation of Section 19 of the Textile and Clothing Board Act. They say the procedure of annual reviews by the Board of their findings gives the industry only one year of protection on which it must base its investment decisions. They note some exceptions.

Clothing manufacturers also complain of the short term of protection, and call for an orderly marketing system which would allow five-year planning periods. They argue that this would create the certainty of market desired, and would increase their ability to become more competitive, and would also aid the other sectors of the clothing business - importers, unions, retailers - as well as the consumer.

The unions also want longer periods of protection, and also complain that under the present one-year review system, certainty is not provided. They point to the United States' approach of three to five year periods of protection. In considering quotas specifically, other unions pointed out that it is essential to assure that shipments into Canada are properly spaced, to minimize disruption, and they suggest quotas on a quarterly basis.

Retailers and importers agree on six-month quotas for some items, but quotas on an annual basis for other commodities. They claim they would find any shorter quotas disruptive.

BOARD'S TENDENCY TO REMOVE RESTRAINTS, IMPOSE RESTRAINTS, OR REFRAIN FROM RECOMMENDING RESTRAINTS, BASED ON SHORT-TERM CONSIDERATIONS

The primary industry suggests that medium-term market considerations should be a part of the Board's recommendations.

The CSD shares this view, and argues the example of the removal of restraints on nylon cloth from Korea, in 1974. They claim the Board realized subsequently that this was a mistake, but that when quotas were re-established in late 1974 three times the regular volume of nylon cloth allowed under restrictions had already entered Canada. According to the CSD, if the Board had taken a longer view, the restraints would never have been lifted.

What do the various sectors of the textile and clothing business in Canada want? Again, there is no unanimity, but the manufacturers, retailers, importers and consumers all express vigorous views.

The primary industry wants to see more evidence that the Textile Policy's objectives are going to be met. They want no long delays which now result from the laborious procedures followed; e.g. the routines the Board follows in arriving at its findings, and in making its recommendations, and the deliberations by the government before making a decision, and implementing it. Manufacturers in both the primary and secondary sectors want provisions for the negotiation of selective and long-term bilateral agreements which would cover imports from yarns through to garments. They state that such agreements would not hinder Canada's international obligations.

They also felt that import permits were being issued without careful consideration of restraint levels that may be in place, and asked for a tightening of the administration of import permits.

The unions made several proposals. They share the manufacturers' desire for fewer delays, and would like to see the Board's recommendations remain unaltered. They believe such modifications harm the Board's credibility. Together with the manufacturers, the unions believe that many of the present procedural delays could be avoided, referring in particular to the time taken to review the Board's report by the Interdepartmental Committee on Low-Cost Imports.

The unions would also like to see more up-to-date statistical information made available. Improved garment identification, proper reporting of imports, and better identification of the true country of origin of the goods.

The CSD states that the government has not made use of all the provisions available to it under the international rules, and urges it to do so.

The unions are not of one mind concerning the rationalization of the industry. The CSD accepts the policy's objective of a progressive withdrawal from non-competitive lines, and wants to see a less narrow, 'case-by-case' approach in administering the policy.

Some unions point out that there is little difference in output per manhour here, from other countries with textile industries, and since technology and capital are mobile, and entrepreneurs can make use of internationally-oriented management consultants, firms everywhere can furnish their plants with the latest equipment, and the most sophisticated methods. Consequently, Canadians are no different from producers abroad, and cannot possibly compete with foreign suppliers whose labour costs are lower, on the basis of increased efficiency.

The retailers want better market data, and better supply-source information, so that any protective measures the government adopts can reflect the true supply and demand picture. They suggest the Board should carry out or commission a study on Canadian markets for particular commodities at specific prices. They want to see this matched with information about what the Canadian industry can actually supply, and want to have the confidence that any protection reflects this situation.

The Canadian Textile Importers' Association argues that since the present policy has not brought about the improvements promised, the solution now is not more protection, but rather, a more efficient clothing industry. They are not opposed to restraint measures to protect truly viable products, but wish these measures to be considered temporary, and want to see industry rationalized during this temporary period, including (1)

manufacturing operations, (2) product mix, and (3) marketing strategies.

The Canadian Consumers' Association wants the whole policy reviewed. It believes that protection has wholly overshadowed the other objectives of the policy -- the viability of identified product lines, and the adjustment of the industry to meet competition -- and it suggests this will not only have a negative effect on the consumer, but also on the manufacturing sector itself.

CONCLUSIONS

The Textile Policy has existed for six years. During this time the Board has examined many segments of the industry and has made recommendations for restraint action in a number of cases in order to assist producers experiencing injury from imports, particularly imports from low-cost countries.

The Board considers that the policy represented a reasonable and workable compromise, particularly in the earlier years of its existence, but that in the past two years low-cost producers can compete over the full range of Canadian production. This situation has caused increasing threat and actual injury, and in November the government took emergency action by imposing global import controls on a broad range of wearing apparel.

The industry has continued to express its deep concern that the use of a selective and short-term approach, subject to annual review and based on short-term considerations, has greatly impeded the government from achieving the objectives of the policy in creating the certainty needed by industry to develop in an efficient and competitive manner. In this regard, it has also stressed its concern at what it sees as the failure of government to administer the policy in a more decisive and forward-looking manner.

There has been considerable dissatisfaction expressed at the delays in implementing the Board's recommendations; delays which, according to industry, have weakened the effectiveness of its recommendations when they are finally implemented. The Board is aware that under the Textile and Clothing Board Act the final decision regarding implementation rests with the government. However, it is concerned that delays can cause hardship to the industry. The Board considers that these administrative delays can be overcome by a timetable within which action on Board reports should be completed by departmental officials and members of the Interdepartmental Committee on Low-Cost Imports for onward transmission to the Minister.

